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# **REPORT OF THE INVENTORY TASK FORCE**

**APRIL 1971**

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# ASCS INVENTORY TASK FORCE

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April 1971

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FINAL REPORT  
INVENTORY TASK FORCE.

I. Introduction:

Administrative Notice AO-244, issued September 1, 1970, established the major ASCS task forces involved in agency review and requires as one of the disciplines a final report by each task force. This report, supported by an attached appendix and extensive working papers under separate covers, represents the final report of the Inventory Task Force.

The assignment of the Inventory Task Force was to review all aspects of ASCS inventory programs from a functional standpoint in order to identify commonality, or lack thereof, between program requirements for the various commodities, i.e., cotton, processed commodities and grain. Upon completion of our review, we were to recommend new concepts for inventory programs, particularly those relating to a new ASCS management information system relying heavily on third generation computer technology.

The Inventory Task Force met with regularity during the last six months (see appendix 2). Major problems concerning agency communication, organization, paper processing, and inventory control were documented. Current operations and related input-output were flow-charted and/or compiled. Inventory programs were analyzed function by function, working papers assembled, and task force concepts agreed upon (see appendix 1).

Some of the proposals can and will be installed before the new computer system is operational. It is not unlikely that some concepts may require several years of demanding and challenging work before they are assimilated by the computer. Others have no relationship to computers.

A series of productive and encouraging meetings were held with private industry representatives to obtain their views and to ascertain their attitude toward joint industry government cooperation (see appendix 4). These meetings clearly indicated that industry is eager to join in the development of systems, exchange of information, and to promote compatible computer operations. A limited number of task force concepts contemplate government industry cooperation. It should be noted that cooperative endeavors of this nature should be explored in much greater depth inasmuch as the Inventory Task Force could not conduct more than a cursory review in this area in the limited time available.





We submit the following major recommendations for your review. These recommendations, representing majority agreements within the Task Force, can be placed in five major categories: Organization, Streamlining of Individual Programs, Transportation, Quality Control, and Potential for Mathematical Models. Justification for these recommendations and minority views is documented under separate cover.

## II. Summary of Major Recommendations

### A. Organization:

1. Transfer responsibility for purchases under Section 32 and Section 6 programs from the Consumer and Marketing Service to the Agricultural Stabilization and Conservation Service.
2. Transfer responsibility for warehouse examinations other than for Federal licensing purposes from the Consumer and Marketing Service to the Agricultural Stabilization and Conservation Service.
3. All inventory sale functions should be coordinated within one agency, i.e., transfer sales authority from Export Marketing Service to the Agricultural Stabilization and Conservation Service.
4. Transfer responsibility for tung oil loans from the Kansas City Data Processing Center to the New Orleans Commodity Office.
5. Transfer responsibility for recordation and quality control of grain, rice, and honey loans from the Kansas City Data Processing Center to the Kansas City Commodity Office.
6. Transfer responsibility for receiving documents on cotton loans from the New Orleans Data Processing Center to the New Orleans Commodity Office.
7. Wheat certificate program registration forms by processors, industrial users, and distributors should be filed directly with the Kansas City Commodity Office resulting in a machine-prepared Directory of Participants. Consolidation of operating administrative programs is recommended.

### B. Streamlining of Individual Programs:

1. Eliminate the purchase agreement program as a means of grain price support.



2. Pay a premium for a "universal" density bale under the price support program.
3. Consider expanding the dairy price support program to include barrel cheese.
4. Obtain legislation to permit the Secretary of Agriculture to purchase feed for disaster use without clearance from the President or the Office of Emergency Planning.
5. Each commodity for which CCC pays storage should have a uniform storage rate.
6. Change the dairy marketing year to the calendar year and report statistics on this basis. Consider similar changes in marketing year and reporting periods for other commodities.
7. Prepare a monthly statement for each corporate entity, supported by proper documentation, which summarizes all merchandising, storage, and transportation activities for the month. The financial net balance for the month would result in an invoice to or a payment to each corporate entity.
8. Incorporate bin inventories of grain into the management inventory system.
9. Revamp livestock feed program to recognize only true disaster situations with aid by cost sharing rather than by CCC supplying bulk grain to feed dealers.
10. Obtain legislation to authorize making plant payments on nonfat dry milk. This would make it possible to take greater advantage of the provision in the AA of 1970 which suspended the requirement for supporting the price of butterfat in farm separated cream. Payments on nonfat dry milk would make it possible to substantially lower CCC's butter purchase price without increasing the nonfat price to an unrealistically high level.
11. Remove cotton cloth from Title II, Public Law 480, donation availability list. AID should purchase cotton cloth at destination.
12. Consider the need for a government-owned grain reserve. (see appendix 11)
13. Computer prepared mailing lists for potential buyers and sellers.
14. Better estimates of foreign donations.



15. A settlement routine with a pricing directory for both grain inventory and transit tonnage.
16. Appoint a joint industry/department committee to study and develop recommendations regarding present practices and policies for pricing and purchasing butter under the dairy price support program.

There are numerous other recommendations relating to streamlining of programs which are operational in nature and are covered in technical detail under separate cover.

C. Transportation:

1. Establish flat rate rail tariffs from interior terminal gathering points to port locations for all CCC grain movements, i.e., volume or unit train CCC movements would operate at tariffs independent from current ICC approved railroad tariffs. CCC would emphasize and attempt to maximize grain movements by truck to the interior terminal gathering points.
2. Expand exchange (swap) programs to permit swaps of one type of commodity for another, i.e., feed grains for dairy products, rough rice for milled rice, aged cheddar cheese for processed cheese, etc. Exchange programs of different commodities at different locations would tend to minimize CCC transportation requirements.
3. Consider purchasing packaged dairy products on a FOB destination basis rather than a FOB origin basis.
4. Freight payment routine based upon data in the system rather than receipt of hard copy freight bill from carrier.

D. Quality Control:

1. Long range concepts would include retention of grain warehouse receipts in county offices or warehouses. This concept assumes entering all loan data directly into the system from county office terminals. Under Section A-5 we recognized an interim concept involving recordation of grain loans and related quality control in the Kansas City Commodity Office. This could involve standard grain warehouse receipts, as well as scannable loan documents for cotton and grain.
2. All system quality control functions regarding merchandisable inventory input and output should be the responsibility of the applicable commodity office.





E. Potential for Mathematical Models:

We visualize the application of numerous mathematical models to aid in decision making within the inventory system. There are two types of procedures for deriving an optimum solution from a model: analytical and numerical. Analytical procedures consist of the use of mathematical deduction. This involves the application of various principles of mathematics such as calculus or matrix algebra. Numerical procedures consist of trying various

(continued on page 5)



values of the control variables in the model, comparing the results obtained and selecting that set of values of the control variables which yields the best solution. Such procedures vary from simple trial and error to complex iteration. An iterative procedure is one in which successive trials tend to approach an optimum solution.

The use of computers, i.e., the central data bank, as well as sufficient processing power and on-line storage at commodity office sites, is essential to implement both types of procedures.

1. Economic models for the projection and forecast of commodity production, price support volumes, and merchandising programs. This is essentially the type of information now prepared manually by the Economic Research Service and furnished to the Interagency Estimates Committees for their review, refinement, adoption, and forwarding to top management for decision making. If this exercise were adapted to the new system, the data and estimates might be more timely, more accurate, and would better inform program operators of current and prospective conditions of supply, surplus, and inventories.
2. Analysis of competitive bids for all types of purchases and sales based on actual origins or destinations. This model would retain histories of prior competitive bid programs.
3. Market price analysis model with which relative values of commodities and prior and subsequent fluctuations thereof could be analyzed on a geographic basis. Related to this model would be the analysis and/or computation of commodity subsidies.
4. Analysis of available inventory coordinated with an analysis of current and projected inventory commitments.
5. Allocation to and control of contractual and warehouse commitments.
6. Optimum selection of inventory quality, transit values, storage locations, and ultimate destinations, including port selection analysis.
7. A model to allocate individual cars of grain to individual warehouses for storage based upon the quality and location of the car, the quality and location of the warehouse, and the quality and geographic requirements of current and projected commitments.
8. A transit loss analysis model.
9. A model for the projection of domestic donee requirements for processed commodities.



### III. Systems Overview:

The task force is convinced that centralization of computer operations without processing capability in each commodity office will defer full realization of the goals announced in AO-244. The success of the centralized third generation system is related to the degree of commonalities among three diverse commodity office systems. From a superficial standpoint, it appears there is considerable similarity between the three commodity offices. However, an in-depth view reveals great dissimilarities in processing requirements, in trained human resources and considerable variations in levels of systems sophistication. The impact of these differences during the next two or three years should not be underestimated.

Centralization of data processing can be achieved provided that it is accomplished through accelerated evolutionary rather than revolutionary methods. This can be achieved by continuing studies in the areas that have the best possibilities. This process should be vigorously pursued until a level of commonality in systems is achieved that is compatible with centralization. Meanwhile, each commodity office should continue to develop advanced systems and at the same time continue movement toward centralization. Movement in this direction must be systematic to avoid consequences which would lead to unnecessary postponement of an attainable and desirable objective.

The task force found that NOCO was further advanced in its automation of the inventory system and related operations than the other two commodity offices. Minneapolis has had a computer for only a relatively short time and is making excellent progress. In the case of grain, other programs received higher priority than grain inventory, and consequently the inventory systems for grain are not as advanced as the other two offices. Although a DPC was established in New Orleans in 1967, NOCO retained the systems analysts on its staff. We believe the strides made by NOCO and MPCO indicate better results are obtained if systems development, programming, and the computer are under the office having job responsibilities.

With regard to cotton, the task force also took into consideration the file structure presentation of Paul Jones. While we understand the complexities created because of the volume of records made necessary by individual bale data, we were unable to find an acceptable alternative to the maintenance of data at the bale level. We do think that the possible volume of cotton records brings out the fact that "on-line" processing is not completely compatible with the costs involved, and that alternatives exist which can be used to reduce costs and still permit NOCO to process cotton inventory operations as effectively as it is now doing. It would seem unwise to establish a third generation system that cannot be as well utilized as the system now current. It would seem that an appropriate solution, as mentioned above, is to provide processing capability in the commodity offices. All significant or necessary data could then be furnished the data bank in summary form since individual bale data would not need to be "on-line".





The ASCS management information system should rely on the central data bank with its related terminals to eliminate the majority of the manual preparation of requests for data and manual preparation of reports satisfying these inquiries. We visualize the data bank receiving data (input) from multiple terminals and dispensing data (output) to multiple terminals in relatively customized format geared to the users of each of the participating terminal users. Chart One (page 9) shows a general overlay of the management information system recognizing that other agencies will participate in the system in addition to ASCS Washington, D. C. offices and ASCS State, County and Commodity Offices.

The new ASCS system will be more difficult to maintain than our current ADP system. Hence, every effort must be made to structure it in order to promptly implement changes in policy and controls. Of particular importance are those critical or highly volatile computerized calculations, etc., which are known to change frequently or with regularity. These must be accommodated as independent programs in order to facilitate rapid implementation of changes without requiring major programming. The Inventory Task Force feels that commodity programs relating to merchandising, allocation of cars in transit, and inventory analysis are primary examples of the desirability of extremely volatile computerized systems. We also recognize that a consistently high level of quality assurance must be maintained on large volume/high cost per unit inventory programs. There is always a trade-off between rapid access in and out of a system and perfection in quality control.

Chart Two (page 10) relates commodity office inventory programs to the data bank and reflects the requirements of high volume raw data from multiple industries which must be placed into the inventory system. It also recognizes input into the system from branch offices because of our policy of decentralized grain merchandising. The Inventory Task Force urges continuance of such a policy because of the returns in market intelligence, optimization of sales and purchase values, and adherence to customary market outlets. Chart Two provides for the major quality control function to be the responsibility of the commodity office. Commodity offices would maintain on-line inventory programs with the accompanying responsibility for program update and systems change as they pertain to volatile inventory programs. The data bank would receive pure data reflecting on-line inventory decision making in the commodity offices and customize such data for management information to the other multiple users of the data bank. Commodity offices would be responsible for policing and inquiry for missing or erroneous data from the multiple industries with which they have contact. The inventory system would provide for a minimum of manual data classification, matching and categorizing. It should minimize inter-office and intra-office paper flow and result only in such hard copy as required for governmental, industry, and legal controls.



The majority of the data which will be placed in the central data bank by other users does not change rapidly nor does it have a high degree of volatility. System response times are not critical in terms of seconds or minutes. The major problem with the central data bank will be the file structuring and the priorities for the input and output of the multiple terminals serviced by the data bank. The system described above would allow virtually real time merchandising and car control without taxing the input-output priorities given to the various terminals serviced by the data bank. It would provide for accounting summaries, historical summaries, and scientific projections for inventory programs and yet allow the organizations responsible for day-to-day operations full freedom in decision making, program priorities, and customized industry output.

The system illustrated above could be placed into operation in a far shorter period of time than if the data bank had to be designed around the theory of multiple terminals with additional terminals as time passed requiring complete review of queing priorities. It also would allow agricultural policy makers to rapidly revamp commodity program outputs and systems design without severe impact on a data bank primarily devoted to high volume farm data with relatively infrequent inquiries.

The system must provide management with inventory information which reflects the actual current situation. Toward this end, inventory data must be put into the system at the earliest possible moment and should be purified after, not before, it is made available to management. The purification process takes time and it is more important for management to have up-to-date information which contains a number of small errors than to have completely purified but obsolete information.

Further comment on primary recommendations, listed earlier, and some secondary recommendations are presented in the following pages of the report. A separate section is devoted to each of the four major areas: processed commodities, grain, cotton, and State and County activities related to CCC inventory.



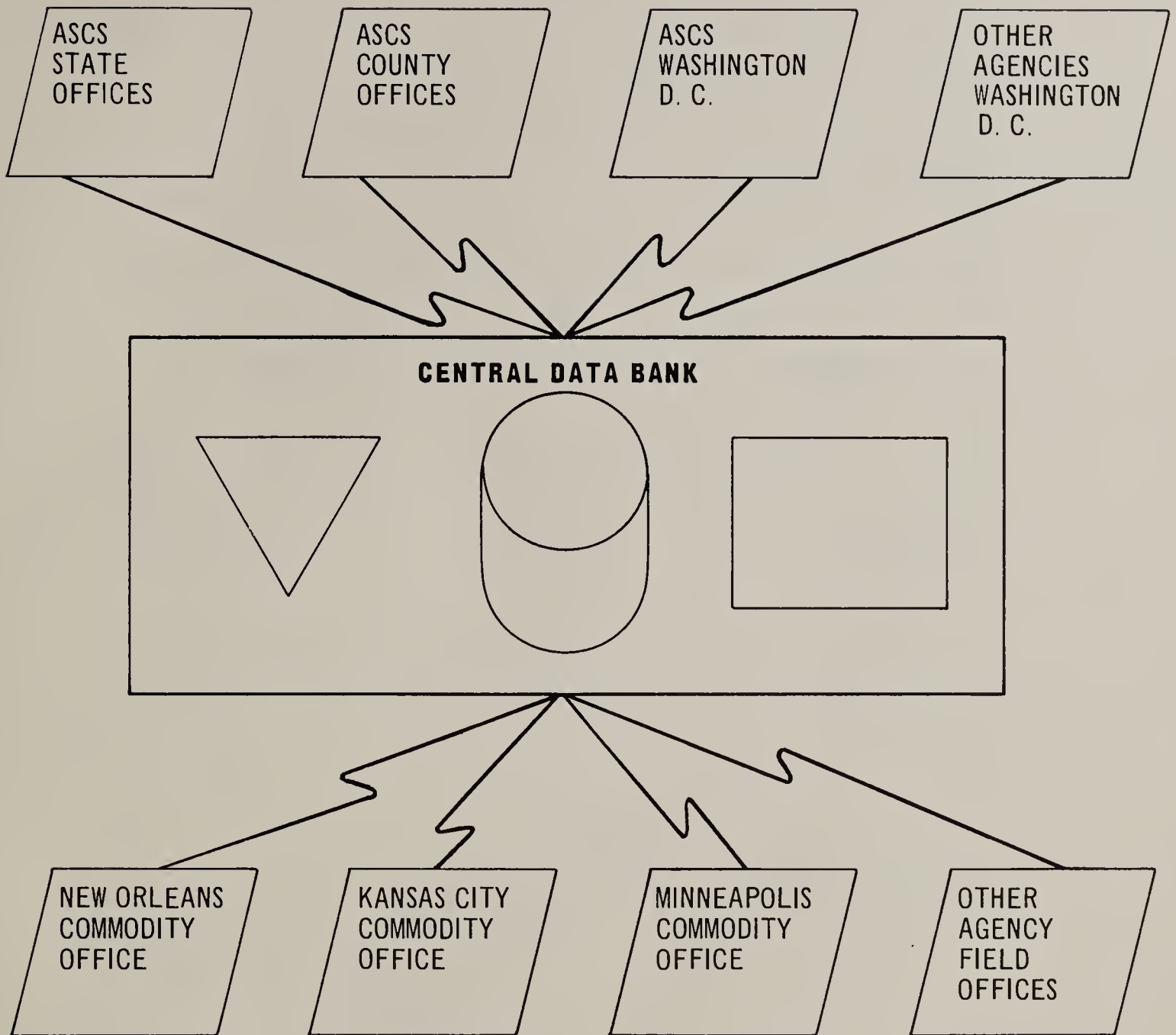


Chart One – **GENERAL OVERLAY**





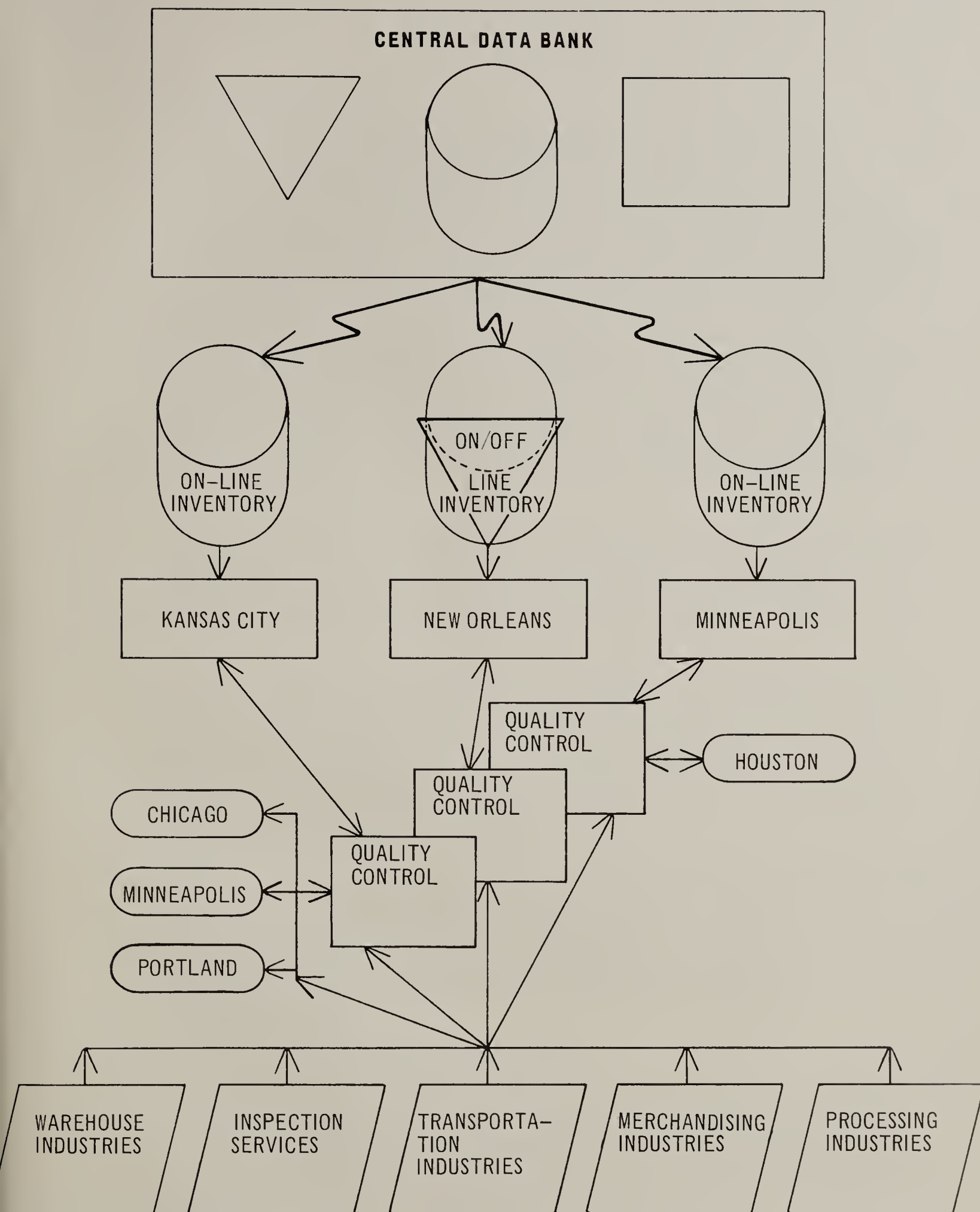


Chart Two – **COMMODITY OFFICE INVENTORY RELATIONSHIP TO DATA BANK**



#### IV. Processed Commodities:

In reviewing the dairy price support operation, the task force explored in some detail the practices and policies followed in establishing purchase prices for butter at different locations. This is a difficult and complex area and one which has been studied and reviewed any number of times in the past by the Department and by outside committees. Nevertheless, there have been so many changes in the organization of the dairy industry and in the merchandising of butter in recent years, it is our belief that another in-depth study of butter pricing should be made as soon as possible. It is our recommendation that a committee be appointed for this purpose and that it include an appropriate representative from the Livestock and Dairy Division, ASCS, from some other Agency in the Department, and from the Industry. Since this would be a real working committee, it probably would not be advisable for it to include more than 3 or 4 members. We believe the committee should conclude its study and make its recommendations in time for them to be included in the 1972-73 price support program.

Currently we are purchasing packaged dairy products such as one-pound print butter, four and one-half pound packages of dried milk, and process cheese in five and two-pound packages on an FOB origin basis with no consideration given to the cost of moving the commodity to destination.

The task force's recommendation that consideration be given to buying processed dairy products under price support on the basis of lowest cost, delivered destination, was made after considerable discussion and against divergent opinions. The consideration which we are recommending should carefully explore, develop, and weigh all of the important aspects of this question before a final decision is made. In doing this, we believe an effort should be made to develop factual data on both sides of the question.

One of the organizational problems studied by the task force concerned the three-way division of responsibilities between ASCS, C&MS, and F&NS with regard to the purchases of commodities under Section 32 and Section 6. It is felt that this causes duplication, confusion, and inefficiency and the task force urges that consideration be given to a re-alignment of functions which would transfer to ASCS those responsibilities now assigned to C&MS.

#### Processed Commodities Recommendations:

The Committee feels that payments on nonfat dry milk would make it possible to lower butter prices enough that CCC purchases would be reduced to minimal levels and thus solve the continuing problem of near monumental inventories of butter. It is felt that the reduced purchases and costs of butter would largely offset the cost of making payments.



It is recommended that consideration be given to obtaining legislative authority for making payments to plants on nonfat dry milk. This idea has been previously explored by the industry where it found considerable support. That support never manifested itself in a strong effort to obtain the necessary legislation.

The task force believes that there is a compelling reason now for reconsidering this idea. There is a provision in the Agricultural Act of 1970 which makes it unnecessary to continue buying butter at prices equivalent to 75 percent of parity for butterfat in farm separated cream. Under this provision, it would be possible to drop the price of butter to competitive levels except that, in doing so, the lower butter price would have to be offset by unrealistically large increases in the price of nonfat dry milk. Payments on nonfat dry milk would make such increases in prices unnecessary.

The task force considered rather intensively the question of whether or not all producers receive the intended benefit of the dairy price support program. It was concluded that generally they do. This is based on the concept that the announced support price is an average, not a guaranteed minimum to each and every producer. It was felt that if the program were changed to provide such a minimum, differential pricing based on location and other factors would be necessary. As a result, it was felt that most of the producers who now receive below-average or support prices for their milk would still receive relatively low prices under a differential system.

Linear programs have been developed in Minneapolis for the purchase of flour, corn meal, rolled oats, rolled wheat, bulgur, macaroni, corn-soyamilk, evaporated milk, salad oil and shortening. These purchases made on a FOB destination basis assure CCC of procurement at lowest total cost and avoid CCC involvement in routing, freight payments and protective service activities. In addition, many other completely mechanical outputs are derived from linear programs, including preparation of invitations, acceptance wires, contract abstracts, press releases, identical bid reports for the Department of Justice, automatic issuance of Notices to Deliver and Notices of Shipment.





The Delivery Order is a document which is used to requisition food from the Minneapolis Commodity Office for domestic institutions, welfare and schools. It indicates the commodity, required delivery dates, quantities, method of delivery and consignees. On authorization of the Delivery Order, the Commodity Office will fill the order from warehouse stocks, current contracts or procurements. Approximately 65,000 Delivery Orders are received annually for as many as 70 different commodities.

The case load factor, or the number of people that must be fed, determine the quantity of food that is requisitioned by the State Distributing Agency. A tedious and expensive process requiring calculations, multi-copies, abstracts, key punching, scheduling and processing through several organizations is involved in the Delivery Order procedure.

We propose to eliminate the majority of the Delivery Orders and effect an automatic ordering process. Through a cooperative arrangement with the Food and Nutrition Service the case load factors would be introduced into the ASCS computer system where food requirements would be determined for recipient organizations. This would be matched with consignee names and addresses, delivery conditions and other fixed information stored in the computer. Prior to the scheduled delivery period, FNS would be furnished a machine summary of commodities and quantities to be shipped to recipients. Changes, if any, would be indicated on a copy of the summary to permit required adjustments before procurement and issuance of shipping instructions.

The major benefits would include elimination of most of the Delivery Orders, reduction in number of cars placed in storage and expanded opportunities for FOB destination procurement. In addition, linear program techniques could be applied which would result in almost completely automatic output of subsequent documentation.



FNS regional offices receive a voluminous weekly and monthly machine report of the status of shipments to domestic distributing agencies. This lengthy report will be eliminated with the addition of an access device (CRT) which will permit FNS regional offices to interrogate the computer for specific information concerning the status of any order.

Approximately 2,600,000 dairy products and canned goods rail rates from four selected dairy producing states are stored on magnetic tapes. The tapes are converted to micro film for scanning on a viewer. If a hard copy of any portion of the rate information is required the equipment is capable of producing a hard copy promptly.

The 2,600,000 rates are only a very small proportion of the rates required in the commodity office. With present complicated rate tariffs it is doubtful that all required rates could become available on tapes but we are striving to increase the percentage of this total.

Long range concepts which are related to the degree of mechanization achieved in providing transportation information on an automatic basis include:

1. A mechanical means for allocating commitments to warehouses and from warehouses or contracts with automatic issuance of Notices to Deliver. Factors such as transportation cost to destination, age of commodity, transit benefits, warehouse load out capability, risk of loss and other considerations can be analyzed by the computer to select contractors and warehouses most advantageous to CCC.
2. Routing shipments from information available in the computer. Routes for this purpose would be developed from historical information covering movements and also from tariff files.
3. Combining orders into optimum carloads. Delivery Orders for schools, welfare and institutions are frequently received in lot sizes that are in excess of a carload or insufficient for a carload. To effect an economical combination, all possible combinations and carlot sizes must be considered.

Due to the perishable nature of processed commodities, reinspection of stored commodities is prescribed at varying intervals to ascertain changes, if any,



in the condition of the commodity. With the aid of the computer, statistical analyses will be conducted to determine from experience information what changes should be made in the reinspection cycle to reduce reinspection costs and to provide added protection for the commodity.

Pending availability of updated records, Marketing Specialists keep interim cuff records to control the flow of commodities to outlets and warehouses and to consider various alternatives available to fill requisitions expeditiously, and at lowest cost. A direct access device (CRT) and immediate update of records would eliminate need for cuff records and improve Marketing Specialist effectiveness. In addition, other ASCS personnel could ascertain the status of warehouse inventories, open contracts and disposition through availability of direct access devices.

The movement of food to feed domestic and foreign donees makes it imperative that close control is exercised over the performance of suppliers and warehouses. The present cumbersome and fragmented method of policing will be replaced by a system based on the creation of a policing record at the time of Notice to Deliver issuance. The Notice to Deliver transaction code and the delivery basis will specify the documents required to complete the policing action. Coupled with the issue date, the required shipment date and updating with by-products from normal operations of Input Sub System, all required letters, telegrams and exception listings will be mechanically generated.

Procurement of commodities for domestic and foreign donation programs was divided between ASCS Washington, C&MS Washington and ASCS Minneapolis Commodity Office. Responsibility for administration of all procurement contracts regardless of procuring agency is the responsibility of the Minneapolis Commodity Office. During the past few years ASCS transferred all procurement to Minneapolis. The distribution functions of C&MS were transferred to FNS.

The present three-way division of responsibility between ASCS, C&MS and FNS contributes to duplication, overlapping and inefficiency. To promote better control, greater effectiveness and improved coordination, it is recommended that the responsibility for procurement of all Section 32 and Section 6 commodities be transferred to ASCS.

Storage contract rates should be established on a daily rate basis rather than a monthly basis as provided in the current contract. An acceptable alternative which would not require contract amendment would provide for payment of first months storage on a computed daily rate as is presently done on final storage month payments. Both alternatives eliminate advance storage payments and resultant required recoveries when commodities move from store prior to date through which payment has been made.





Rates for storage of processed commodities are negotiated with each warehouseman. Renegotiation is instigated only when the warehouseman demands reconsideration of his rates. The general comparative information used by CCC as a basis for initial negotiation and renegotiation places CCC at a definite disadvantage. Uniform rates established, after study by qualified analysts and discussions with the industry should provide a firm, more favorable and equitable basis for setting storage rates. Uniform rates for processed commodities should not involve insurmountable or greater obstacles than those involved in the establishment of uniform rates for bulk grain storage.

Handling or in-and-out charges are paid to processed commodities warehousemen with the first month storage payment. The payment of out handling charges prior to removal of the commodities constitutes a payment in advance of services rendered. For consistency with grain and cotton and from the standpoint of equity, it is proposed that out payments be made at the time commodities are removed from the warehouse. This will require a change in the provisions of the Contract for Storage of Processed Commodities.

To accelerate payments to warehousemen a change will be made in the current requirement for warehouseman's certification of the storage and handling invoice and subsequent review by the commodity office before payment is made. In lieu thereof payment will be mailed with the commodity office prepared invoice with provision for certification simultaneously with sight draft endorsement. This will eliminate return of the invoice.

Financial and position accounting entries are mechanized to a limited degree under current operating procedures. In general all proposed systems provide for fully automatic position and financial by-products that will result in virtual elimination of manual position and financial entries. Quantity and quality settlements for movements from vendors will be computerized. Invoices will be mechanically examined, verified as to prices, and paid after deductions for discounts, liquidated damages and offsets. Mechanical controls over paid and unpaid invoices and supporting documents will be established to insure that payments are proper. The preparation of sight drafts, sight draft registers and disbursement statements will be completely mechanical.

As a long range concept the purchase invoice will be eliminated and payment will be made on the basis of quantities ordered, graded and shipped.

Monthly invitations for grain products such as flour, corn meal, rolled oats, etc. for domestic programs invite vendors to offer on 1000 to 1500 separate items. Approximately 60 millers compete for awards totaling more than 50,000,000 pounds per month.





Since many of these commodities are purchased by CCC through use of linear programs, incoming bids must be coded and keypunched for input into the system.

The introduction of a bid form that could be processed through an optical scanner would eliminate much of the keypunching and coding. If a scannable bid form could not be utilized, other possibilities would include cooperative arrangements for CCC to accept punched cards, punched paper tape or magnetic tape developed by the vendor in the course of his bidding operations. Any of these arrangements would reduce the length of time between receipt and award of bids.

The expenditure of approximately one-half billion dollars annually for processed commodities purchased by the Minneapolis Commodity Office requires intelligent evaluation of the reasonableness and competitiveness of offered prices. With the assistance and flexibility of the computer it will be possible to refine the basis for evaluating prices. Historical data concerning accepted and rejected prices, statistical analyses of the relationship of bulk to processed prices, current and historical prices of related commodities in various organized markets, examination of the entire spectrum of prices by geographical and state subdivision, patterns of prices offered by individual vendors, etc. can provide improved guidance for price review.

Commodities are allocated to ports for exports on the basis of cost, availability of ocean service and 3-year average of allocations to the port. Other considerations may also affect the allocation decision, such as ship charter opportunities, ability of the port to handle the quantity involved, etc. The export volume of the Minneapolis Commodity Office is sufficient to require considerable time for the port allocation activity. Port allocations can be programmed for computer application. Adjustments for unusual considerations can be made manually to insure equitable distribution among ports at a minimum of cost to CCC.

The Notice to Deliver is a combined shipping order, invoice, consignee receipt, warehouse receipt and over/short and damage report. It is produced mechanically and in some cases automatically. This primary document can be further improved and used for additional purposes through refinements and modifications such as:

1. Combining the Notice to Deliver and Bill of Lading into one document.
2. Include protective services requirements on the Notice to Deliver.
3. Showing transit application on the Notice to Deliver.



4. Include routing on the Notice to Deliver.

The Notice of Commodity Availability (CCC-512) transmits information to the Export Marketing Service and voluntary agencies of availability of commodities at ports for ocean booking. About 5000 forms annually are manually prepared in the Commodity Office. The preparation of the 512 will be accomplished mechanically.



## V. Grain:

Two special concept reports are being included (see appendix 9 & 10). One suggesting that the bushel be eliminated as a unit of measure and that the hundredweight be adopted.

From a systems standpoint, this change is highly desirable so that grain inventories and marketing units would become consistent throughout the United States and would also be consistent with units of measure now being used in grain related industries, processors, livestock feed, transportation tariffs, etc.

The other special concept suggests that the U. S. Grain Standards be updated in a manner that will cause them to be more useful and more consistent with present grain marketing and handling methods as well as being more meaningful in describing the quality and the condition of the grain.

Task force specifications provide for a grain inventory management information system with accents on visual displays for decision making, immediate access for inventory merchandising and analysis, as well as decentralized input and output. Quality control remains a responsibility of the commodity office which utilizes the data bank for economic and operational projections by use of sophisticated mathematical models, the variables in which are byproducts of the on-line inventory system maintained by the commodity office.

Also specified is a flexible minute-by-minute decision making process connected with grain merchandising. It also recognizes hard copy output for industry consumption which are the result of decisions made within the commodity office. The commodity office retains responsibility for the validity, accuracy, and timeliness of the decision making and system output.

In order to delineate KCCO needs of data base elements and data base accessibility and response times, a study was conducted which placed the major functional operations with their required data into the necessary access and response time frames. Illustrations of input, output and timing requirements for a grain inventory system is supplied in full detail in our handbook on specifications under separate cover.





I. State and County Activities Related to CCC Inventory:

The study that was made relative to ASCS State and County Operations affecting inventory including bin storage operations did, as expected, result in Price Support loan making and collateral forfeiture involvement. Effective ASCS grain inventory management demands preacquisition information, documentation and document quality control.

In order to capture the thoughts and opinions of all levels of management, a subtask force was developed.

This subtask force included personnel from Washington ASCS, Kansas City Commodity Office, two state offices and one county executive director.

Although they were not official members of the subtask force other State and county office personnel were used. In the two states which were involved, the subtask force member called upon four other county executive directors and four county office clerks for assistance.

In addition, other State office personnel were called upon for their opinions and reaction.

Methods of grain production and marketing in the United States causes grain to be a fast moving commodity. Many times grain should move immediately following acquisition and poor bookkeeping and paper shuffling is not a valid reason for any delay. It is not felt that any concepts relative to loan making or collateral acquisition will cause any Price Support program problems. Quite the contrary, the changes should result in better loan document quality and more current settlement with the producers.

Even though the primary effort was related to a new generation of mechanical equipment, the major portion of the ASCS State and County concepts include the Interim period. There are only minor differences between the Interim and Long Term concepts as they relate to input.

The Interim is to develop scannable input documents to replace standard typing and keypunching for introduction into the system. This is to be replaced in the Long Term concept to initiate direct access input from county and state offices. There is much less opportunity for updating procedure during the Interim period for capturing machine output. The big step forward in this respect will come with the initiation of the Long Term concepts.

Throughout the entire period that the main task force has been in session, the timing relative to providing state and county offices with input and recall capability has been quite indefinite.



The depth to which the subject was studied reveals that the big step forward in ASCS operations and management will come with those capabilities. It is appreciated that such an effort is far reaching and will require extensive study and many efforts on a trial basis. This is particularly true as it relates to the large number of county offices. It is much less risky as related to state offices. A considerable amount of high priority inputs and recall information could be handled at the State level until the time that full capability is attained. It seems feasible to start at an early date with State office installations, at least on a trial basis, to provide input and recall equipment including a small printer. This would not result in acquisition of equipment on a short term basis. This same State office capability will be required in the long term operation as certain activities must move through the State office in order to provide management control and to maintain uniformity.

In the interest of efficiency, simplification and added management effectiveness, several changes pertaining to acquisitions have been suggested.

1. Eliminate the purchase agreement method of applying price support to grain producers.

Simple concessions and revisions of the loan procedure will provide the same results.

2. Use direct system access capability to provide preaudit of loan making and to prove quality of warehouse receipts. This would eliminate most loan making errors and would eliminate delay in movement and final adjustments in inventory management operations.
3. Retain warehouse receipts forfeited to CCC in settlement of loans in the county office except those covering grain stored in official weight and grade warehouses. This will provide prompt release of grain stocks sold or stocks covered by shipping instructions.

It may be difficult to identify many of the bin storage operations. This is due to the result of a concerted effort to work on a functional basis. For the purpose of clarification, the ASCS State and County Operation and bin storage concepts are being published separately but with few exceptions these are blended or can be blended on a smooth functional basis with other grain inventory activities.

In connection with bin storage the following changes are suggested:

1. Develop a new inventory for bin storage operations. This would not eliminate the present fiscal inventory on grain. The present inventory would continue to be used as the official inventory, supported by actual weights in and out and for use in making the annual physical inventory.

The new inventory being referred to here as the "Management Inventory" would provide all other information relative to bin storage operations, such as: bin site land area, site rental cost, structures by number, make and capacity, kind of grain, grade and grading factors and estimated quantity stored in each structure, and most important, the capability of identifying each lot as uncommitted, committed as sold or committed for shipment. Other than structure and structure description, all of this is now being accomplished by hand or,





so to speak, by means of "cuff" notes. This file would provide all levels of management with quick, current, dependable and much needed information.

2. For bin storage grain sold, accept as permanent procedure with minor changes, the method currently being used concerning preliminary payment for grain and storage fee charges. The old procedure is unmanageable.

Another assignment delegated to the Inventory Task Force was the Livestock Feed Program. Here again, assistance was solicited through a subtask force. Personnel used were from Washington ASCS, Kansas City Commodity Office and four state offices.

The major portion of the concept for the Livestock Feed Program is non-system related. If the present program is continued, only a few changes would be applicable. Due to the sporadic nature of the program application extensive system useage did not appear to be justifiable. Also the major portion of the documentation at the State and county level is so local in nature that central filing does not seem feasible.

Also there was a general feeling that the present program was not flexible enough to serve disaster conditions. From the very beginning the present program was more oriented toward disposing of CCC surplus grains than to furnish livestock feed in deficient areas. The result was that often the grain supplies were far from the area of need and transportation problems made it impossible to deliver grain in timely manner.

The method of getting approval on a designated area under current instructions becomes too involved and results not only in delays but results in poor and inequitable area designation.

The concept that is being offered hopefully would provide more stringent guidelines for the identification of a program area, thus reducing the chances of misuse of the program. The intent being that where a disaster exists, meaningful and prompt action would result. It is also believed that the concept being offered would eliminate identifying areas for the primary purpose of furnishing cheap feed when in fact there is no feed deficiency in the supply area.

The concept eliminates any ASCS involvement with suppliers and handlers. It is, in reality, a cost sharing program. Eligible livestock owned by an eligible producer will be reduced to livestock units. Available feed will be reduced to feed units. Any available feed will be eligible feed. Proof of purchase of feed units will result in a cost sharing payment to the livestock producer.

Provisions have been made to make CCC-owned and loan grain available.

It is felt that the suggested program will be more responsive to the needs of the producers, much less complicated to administer and activity will be reduced to only those areas where an actual need exists.

The efforts of the subtask force were appreciated, both as related to the State and County Inventory Operations and to the Livestock Feed Program. Most of the material offered is the result of their efforts.



## VII. Cotton:

The Inventory Task Force recommends generally that the policies and procedures now in effect be retained and that the New Orleans Office continue its policy of improving the system through modifications or changes.

The task force gave careful consideration to many suggestions about cotton inventory operations. Among these were the elimination of reclassification and reweight on cotton sales, and refunds of compression on cotton exported. These are matters of administrative policy (see appendix 5 & 6). It recommends continuance of these provisions as currently provided in sales announcements with modifications as necessary from time to time. With respect to reclassification, the only cotton normally pledged for loans (except by the cooperatives) is that for which there is no demand at the time of ginning. The most desirable cotton is redeemed. Since cotton classing is far from an exact science, and since quality changes occur while cotton is in storage, the task force came to the conclusion that it is only fair to provide for reclassification and reweight of cotton acquired. To eliminate this provision would tend to favor one part of the merchandising segment over another. Similarly, the task force came to the conclusion that with cotton's competitive problems, the elimination of compression refunds would place another burden on shippers of CCC cotton in obtaining export business. The amounts involved in these refunds are relatively minor when compared to total payments on cotton, and we feel that they supply some incentive for cotton exports.

The "universal" density bale seems to afford an area in which progress can and is being made. The task force feels that an incentive should be established to cause ginners to convert or otherwise install presses capable of pressing bales to a "universal" density. No premium should be provided in the loan program for compression to standard density at gins.

The Inventory Task Force recommends that cotton products (cloth) be removed from the availability list for Title II, P. L. 480 Donations and if possible, discontinue the program altogether. This relates to the cotton products purchase announcement under which cotton cloth in finished form is procured for war refugee relief purposes. When overall government costs are considered, the Agency for International Development could use its own funds and purchase on the spot its needs without regard to the 100 percent cotton requirement and at substantially lower costs.





Several major operating problems inherent in the program raised serious doubts that the program is in the best interest of CCC, the Government, or the taxpayer. The costs involved and the problems encountered appear to be far out of proportion to the advantages derived (see appendix 7).



INDEX OF INVENTORY TASK FORCE PUBLICATIONS

## I. A, B, C, D

ASCS Inventory Task Force Definition and Compilation,  
November 1970. Brown cover.

## I. D

New Orleans C.O. Background and History, August 1970.  
Gray cover.

New Orleans Cotton Inventory System. Brown cover.

New Orleans Other Commodities. Brown cover.

Kansas City C.O. Background and History, September 1970.  
Green cover.

Kansas City C.O. Functional Analysis. Salmon cover.

Kansas City C.O. Process Charts. Blue cover.

Kansas City C.O. Document Compilation, October 1970.  
Yellow cover, ringed binder.

Minneapolis C.O. Systems Design, March 1970. Green cover.

Minneapolis C.O. Flow Charts, November 1970. Red cover.

Minneapolis C.O. Input/Output Documents, November 1970.  
Green cover.

Minneapolis C.O. Reports, November 1970. Blue cover.

## II.

Inventory Task Force Conceptual Working Papers, January 1971.  
Yellow cover. Three volumes, one each for:

Acquisitions  
Management  
Dispositions and Other Programs

## III.

Inventory Task Force Concepts, February 1971.  
Brown cover for Inventory Concepts.  
Salmon cover for Other Program Concepts.

## IV.

Narrative report plus Book of Specifications for each  
Commodity Office and related Washington Divisions.



## Appendix 2

CHRONOLOGICAL ITINERARY OF INVENTORY TASK FORCE

<u>Period 1970 - 1971*</u>	<u>Location</u>	<u>Comments</u>
Sept. 14 thru Sept. 24, 1970	Washington, D.C.	Task force orientation and Problem Definition.
Oct. 18 thru Oct. 21	Minneapolis C.O.	Task force also visited KCCO Minneapolis Branch, the Minnesota State Grain Inspection Division, and the Minneapolis Grain Exchange.
Oct. 22 thru Oct. 23	Kansas City C.O.	Task force also visited KCDPC and MFO.
Oct. 26 thru Oct. 30	New Orleans C.O.	Task force also visited NODPC.
Nov. 16 thru Nov. 20	Washington, D.C.	Included presentation to Steering Committee.
Nov. 30 thru Dec. 4	Kansas City C.O.	Task force representatives met with sub-task force members from Nebraska, Missouri, Utah, Minnesota, and Wisconsin.
Dec. 7 thru Dec. 11	Washington, D.C.	Included presentation to Coordinating Committee.
Jan. 11 thru Jan. 15, 1971	New Orleans C.O.	Review of individual concepts and specifications.
Jan. 25 thru Jan. 29	Minneapolis, Minn.	Met with representatives of Cargill, Pillsbury, Bongards Creameries, Land-O-Lakes, Honeymead, Farmers Union Grain Terminal Association, Soo Line Railroad, and Burlington Northern R.R. regarding common inventory and data processing problems.
Jan. 28 thru Jan. 29	Lincoln, Nebraska	Task force representatives met with sub-task force members from Nebraska, Minnesota, and Washington, D.C.





<u>Period 1970 - 1971*</u>	<u>Location</u>	<u>Comments</u>
Feb. 1 thru Feb. 2	Kansas City C.O.	Task force representatives met with sub-task force members from Wisconsin, Utah, Missouri, Nebraska, and Washington, D.C.
Feb. 8 thru Feb. 11	Washington, D.C.	Agreement on overall concepts and presentations to Control Committee and Coordination Committee.
April 1	Washington, D.C.	Presentation of final report to Assistant Secretary and Administrator.

\*Task force members at duty stations during intervening periods working on compilation and concepts.



TASK FORCE PROFILE

Keister N. Adams - Raised on a farm in southern Virginia. B.S. Agric. Va. Polytechnic Institute; M.S. Agric. U. of Md; Two years additional graduate study in Ag. Economics U. of Md. Vo-Ag teacher in Virginia, 2 years; Vo-Ag teacher and Vice-Principal, Anne Arundel Co., Md., 8 yrs; and Graduate Assist. Ag. Econ. U. of Md. 2 years. Started with U.S.D.A. in 1958 as Dairy Mkt. Spec. in CMS and Joined ASCS six years later as Staff Assist., and subsequently Deputy Director of the Livestock and Dairy Policy Staff. Currently is Deputy Director, Livestock and Dairy Division, ASCS.

Lawrence J. Arent - Graduated from the University of Minnesota with a Bachelor of Business Administration degree. Also has done considerable post graduate work. Started with ASCS at the Minneapolis Commodity Office and has experience as Budget Officer, Personnel Officer, Management Analyst, Chief of the Administrative Staff, Chief of the System Design Staff, Assistant to the Director, and is currently Chief, Commodity Operations Division.

George L. Eastling - Attended the University of Minn. where he majored in industrial engineering and graduated with a Bachelor of Business Admin. degree and a Master of Business Admin. degree. Has approximately 23 years of Federal service primarily with the U.S.D.A. Major experience in systems and budget analysis and grain merchandising. Currently Deputy Directory for Programs, Kansas City Commodity Office.

Bennett D. Ensley - Raised on a wheat farm in Eastern Washington. Educated at the U. of Washington. Assistant Manager of Colfax Grain Growers. Started with ASCS in 1947 at the Portland Commodity Office and has 24 years experience with accounting systems and commodity operations. Currently Director of the ASCS Transportation and Warehousing Division.

Ivo Feuerborn - B.S. in Business Admin. U. of Kansas. Experience with Certified Public Accounting firm. Started with ASCS as internal auditor of County and Commodity Offices for 2 years. Further experience at KCCO includes over 10 years as management analyst, one year as systems analyst. Currently is a Supervisory Computer Systems Analyst at KCCO.



A. J. Fortenberry - Raised on a Mississippi Delta cotton farm. B.S. in Business at Miss. State College, plus graduate work in Economics and Marketing at American University, Washington, D.C. Has 25 years with USDA. Started with PMA in 1946 in cotton marketing research and cotton testing programs. Joined ASCS Cotton Division in 1956 to assist in surplus disposal program, and is currently Chief, Price Support and Merchandising Branch.

Edward D. Griffiths - Raised on a Wisconsin dairy farm. B.S. Agric. U. of Wis; M.S. Ag. Econ. U. of Ariz. Vet Farm Trainer Central Wis. for 2½ years. Started with ASCS in 1952 and has 6 years experience as fieldman and price support specialist with the Ariz. State Office, 6 years in the Loan and Merchandising Divisions of the Evanston Commodity Office, and 6 years as a Grain Marketing Specialist with Procurement & Sales and Grain Divisions in Washington.

Willard E. Hillis - Raised on a farm in Tennessee, attended Perry School of Business, McMinnville, Tenn., and USDA Graduate School, Washington, D.C. Started with ASCS in 1938 in Warren County, Tenn. Further ASCS experience includes County Executive Director, Grundy County, Tenn; CCC work on hemp and flax programs; Marketing Specialist in Cotton Division, Washington, D.C.; Assistant to the Director and Deputy Director, Programs in the NOCO; and currently Deputy Director, Management, NOCO.

Jim Lemley - Native Nebraskan. Attended University of Nebraska. Came to ASCS, or the old Triple A in 1936 with a background of farming. Served as consultant to AID in developing marketing, grain storage, and price stabilization programs in various Latin American countries since 1963. Currently Bin Storage Specialist in ASCS Nebraska State Office.

Jesse Moore - Raised on a Georgia tobacco, peanut, cotton, and livestock farm. B.S. Agriculture, University of Georgia; Masters in Public Administration, Harvard University. ASCS experience: County Executive Director, District Director, State Training Officer, Program Specialist in PPA Division, Deputy Director, Producer Association Division, and currently Assistant to the Director, Oilseeds & Special Crops Division.

Alois O. Mootz - Attended high school in Minneapolis, Minn. B.A. plus post graduate work, Dickenson State College, North Dakota. Telegraph operator for 14 years with Northern Pacific Ry. in Montana and North Dakota. Started with ASCS in 1962 at the Minneapolis Commodity Office and has 3 years experience as Budget Analyst, 2 years as Budget Officer, and 4 years on his current job as Systems Analyst.

Ventress A. Roussel (Van) - Raised in southern Louisiana. Attended Louisiana State University at New Orleans. Started with ASCS in 1953 at the New Orleans Commodity Office and has a broad background of NOCO cotton operations including work as a Supervisor, Computer Programmer, Management Analyst, Systems Analyst and currently is Supervisory Computer Systems Analyst.





ASCS INVENTORY TASK FORCE  
Meeting with Land O'Lakes, Inc.  
Minneapolis, Minnesota  
January 29, 1971

Task Force Members Present:

George Eastling )  
Jesse Moore ) Task Force  
Keister Adams ) Members  
Larry Arent )  
Al Mootz )

Dave Henry - General Manager, Land O'Lakes  
Karl Shoemaker - Chief Economist LOL  
Art Jepson - Cheese Manufacturing LOL  
T. M. Minogue - Group Products Manager  
Harvey Ebert  
Other company officials

Chief topics discussed related to the dairy price support program. However, so far as computers and data processing are concerned, Land O'Lakes has a problem similar to that of ASCS. The cooperative has acquired a number of smaller organizations and plant operations during the last several years. Many of them already had relatively small automatic data processing systems and different kinds of equipment. LOL now has the problem of reconciling the equipment differences so they can use what they now have, or must buy new equipment and establish a centralized data system to serve the entire organization. In doing this, LOL expressed a willingness to work with ASCS to the extent possible in making its system and ours compatible.

Program topics discussed and LOL reactions were mainly:

1. Support purchases of barrel cheese - LOL's cheese expert, Art Jepson, was very skeptical, advising that if such purchases eventually did become necessary in order to support the price of cheese milk, CCC should proceed most cautiously. He strongly recommended that cheese not be purchased in fibre drums, because he did not think cheese in such containers could be safely stored. Instead, he recommended that the cheese be purchased in steel barrels for which CCC could be reimbursed by the processor at the time the cheese was processed and packaged for program use.
2. Freight rates - recently negotiated lower freight rates between Chicago and New York had the effect of raising CCC buying prices for butter at Chicago--but not at other outlying locations. This was thought to result in larger purchases at higher prices and at higher storage cost, in the Chicago area.





3. Section 709 purchases of cheese - strongly criticized the Department's purchases in the fall of 1969. Expressed the view that price support activities should be managed in such a way that market price relationships between butter, powder, and cheese are not disturbed.
4. Destination purchases - recommended against support purchases of dairy products on the basis of price, "delivered destination."
5. Payments on nonfat dry milk - supported such payments as a means of substantially reducing butter prices without increasing powder prices to unrealistically high levels.
6. Payments for products - requested that payments for purchases be made more promptly (later called MPCO to say that they were in error regarding late payments; that they had, in fact, been paid promptly).



Meeting with Bongards Creameries  
Bongard, Minnesota  
January 27, 1971

Bongards' Representatives

Jack Budahn - General Manager  
Ray Hinchon - Superintendent

Inventory Task Force Representatives

Ben Ensley - Chairman  
Keister Adams  
Al Mootz  
Ed Griffiths  
Larry Arent

Minneapolis Commodity Office Representative

Wm. McGannon

The Task Force visited Bongards Creameries to review some of the operational problems involved in cheese making and to discuss packaging trends in the industry.

A tour of the Bongards facilities revealed that they are considerably involved in the manufacturing of barreled cheese. Careful experimentation preceded the current processes which appear to be successful. Bongards uses a round and fiber-type octagonal barrel in addition to steel barrels for storage of cheese.

They initially found mold on cheese, but now believe they have overcome this problem with cheese stored in fiber barrels. The process involves forming the cheese in a stainless steel barrel. It is then inserted in a double plastic liner bag and placed in the fiber barrel. They have found that by inverting the barrel of cheese with the open end of the plastic bag on the bottom, it is possible to effect a good seal to keep out oxygen. The two-ply plastic bag in which the cheese is stored consists of one layer that breathes and a second layer that does not allow air to pass through. They are in the process of mechanizing the barrel cheese manufacturing operations. By the middle of March they plan to be in full production.

The General Manager indicated that he would be glad to meet with Mr. Mangum of Washington, ASCS, to review the packaging operations. He suggested that this meeting take place when they are in full production. The General Manager also indicated that he would cooperate with ASCS in an experimental program of cheese storage in fiber barrels. Bongards believes that it would be desirable to provide for a barrel cheese price support program in addition to packaging of cheese as prescribed under the present price support program.



ASCS INVENTORY TASK FORCE  
Meeting with Farmers Union Grain Terminal Association  
St. Paul, Minnesota  
January 28, 1971

## Task Force Members Present:

Bennett Ensley  
Keister Adams  
Jesse Moore  
Larry Arent  
Al Mootz  
George Eastling  
Ed Griffiths  
also  
Robert Landes, Manager  
Minneapolis Branch Office

## FUGTA Representatives:

Allen D. Hanson  
Robert L. Zabel  
Gary Stimmler

## 1. Common Inventory Language

- (a) Do you consider a common machine language feasible for grain and processed inventories?

Yes.

- (b) Do you presently have a standard coding system for machine input and output throughout your entire organization?

Yes.

- (c) As you convert to third generation computer systems, will you contemplate changes in your machine language?

No, but would be willing to change if there was an economic pay-off.

- (d) What is your reaction to converting grain inventories from bushels to hundred-weight or to the metric system?

Farmers think in terms of bushels as do current grain markets. Prefer to put burden of conversion from bushels to another unit of measure on the computer rather than on the producer.

## 2. Exchange of data between organizations within related industries.

- (a) How do you exchange inventory data within your own organization today?

Mail, teletype and punched cards. Have primarily Honeywell computer system with seven channel tape.

- (b) Do you contemplate improving your own intra-organization communication from a hardware standpoint in the near future?

Not in the near future.





(c) What ideas do you have concerning inter-industry data communication?

(i) Do we need hard copy inspections, weights, and warehouse receipts?

Are in favor of eliminating all paper handling, including warehouse receipts.

(ii) Can we exchange cards, tapes, programs?

Are willing to give us inventory data at terminal houses on magnetic tape in lieu of unload reports immediately. Exchange of data by tape or wire highly desirable between FUGTA and CCC. Exchanges tapes with their bank at present time.

(d) Could we have pre-assigned blocks of warehouse receipt numbers and bills of lading numbers?

Yes.

### 3. Possible improvements in ASCS outputs.

(a) Are you pleased with format and/or time cycle of present ASCS outputs?

Would like prompter payment of storage.

(b) What improvements can you suggest?

Higher priority on grain outputs. FUGTA gives top priority to grain operations.

(c) Could grain and transportation industry people redesign standardized outputs?

Yes.

(d) What work have you done in management projections and decision making through use of computer-oriented mathematical models?

Patronage analysis.



ASCS INVENTORY TASK FORCE  
Meeting with Cargill, Inc.  
Minneapolis, Minnesota  
January 26, 1971

## Task Force Members Present:

Bennett Ensley  
Keister Adams  
Jesse Moore  
Larry Arent  
Al Mootz  
George Eastling  
Ed Griffiths  
also  
Robert Landes, Manager  
Minneapolis Branch Office

## Cargill Representatives:

Robert McIntyre  
Elton N. Tekse  
Joseph E. Bailey  
John E. LeFever  
Jerry Kohman

## 1. Common Inventory Language

- (a) Do you consider a common machine language feasible for grain and processed inventories?

Yes.

- (b) Do you presently have a standard coding system for machine input and output throughout your entire organization?

Yes, but since their present coding system correlates to their divisional profit and loss statements, they are hesitant to change to conform to an industry standard.

- (c) As you convert to third generation computer systems, will you contemplate changes in your machine language?

Perhaps. They are certainly willing to work with us on conversion routines.

- (d) What is your reaction to converting grain inventories from bushels to hundred-weight or to the metric system?

Prefer change to hundred-weight from a machine standpoint, but feel market pricing should lead the way.

## 2. Exchange of data between organizations within related industries.

- (a) How do you exchange inventory data within your own organization today?

Mail and teletype and exchange of punched cards.



- (b) Do you contemplate improving your own intra-organization communication from a hardware standpoint in the near future?

Not in the foreseeable future.

- (c) What ideas do you have concerning inter-industry data communication?

- (i) Do we need hard copy inspections, weights, and warehouse receipts?

They are not opposed to standard warehouse receipts, but would prefer elimination of warehouse receipts for terminal inventories. They would like to see a standard warehouse receipt combined with the present supplemental certificate in order to eliminate two pieces of paper describing one lot of grain. They would like to combine warehouse receipts of like quality in country elevators.

- (ii) Can we exchange cards, tapes, programs?

They are agreeable to explore possibilities.

- (d) Could we have pre-assigned blocks of warehouse receipt numbers and bills of lading numbers?

It is feasible in their opinion.

### 3. Possible improvements in ASCS outputs.

- (a) Are you pleased with format and/or time cycle of present ASCS outputs?

Would like monthly payments of storage. They would like to have CCC machine prepare invoices to include 1¢ a bushel wharfage charges where applicable. Would be willing to eliminate warehouse receipts on country inventory if CCC furnished them a takeover listing at forfeiture time.

- (b) What improvements can you suggest?

See above plus elimination of dual rates on storage.

- (c) Could grain and transportation industry people redesign standardized outputs?

Yes.

- (d) What work have you done in management projections and decision making through use of computer-oriented mathematical models?

Budget projections and car allocations on specific delivery programs.



Meeting with Pillsbury Company  
Minneapolis, Minnesota  
January 27, 1971

Pillsbury Representatives

John Cox - Controller  
Frances Herzog - Government Sales Manager  
Tom Rajkowski - Chief Computer Installation

Inventory Task Force Representatives

Ben Ensley - Chairman  
Keister Adams  
Al Mootz  
Ed Griffiths  
Larry Arent

Minneapolis Commodity Office Representatives

Clyde Hagstrom  
Norman Houser

Mr. Ensley, Chairman of the Inventory Task Force, briefly reviewed the activities, purpose and operations of the Inventory Task Force.

Mr. Cox, Controller of the Pillsbury Company, also reviewed some of the operational and automation programs of the Pillsbury Company. Pillsbury has been engaged in an intensive effort to increase the degree of computerization within their company. Within a few months they anticipate that they will be on a third generation computer. Not all of their offices are dependent on the computer in Minneapolis, but they are striving for compatability. Pillsbury officials indicated they have a standard coding system for machine input and output in their current machine operations.

Regarding the possibility of exchanging information with Minneapolis and other ASCS offices, Pillsbury felt that there were excellent possibilities. At the present time they have some of their transportation rates and transit information on machines. They are at present sending tapes to banks doing business with Pillsbury Company. Some work has been done with outside organizations to standardize codes and to establish common machine language. Concerning the possibility of a once-per-month invoice providing them with a detailed statement and a draft for any monies due, they expressed the opinion that this would be feasible.

At present their sales bidding operations are not mechanized, but they anticipate this possibility for the future. For their purposes they require a far finer breakdown of the grades of flour.

An example of possible exchange of computer tapes with MPCO in connection with contract award acceptances was discussed. It was recognized that other areas offered excellent possibilities for similar exchanges.





They stated that they saw few conflicts or problems in providing information to ASCS. It appeared that this could be done without interference or disruption of their own needs. The Controller of Pillsbury said he was enthusiastic regarding the possibility of cooperating with the Government in any mutually beneficial machine effort.

He stated that they would be ready to meet at a future date for further discussions relative to detail areas where exchanges could be worked out between ASCS and Pillsbury.



ASCS INVENTORY TASK FORCE  
Meeting with Burlington Northern Railroad Co.  
St. Paul, Minnesota  
January 28, 1971

Task Force Members Present:

Bennett Ensley  
George Eastling  
Larry Arent  
Keister Adams  
Al Mootz  
Jesse Moore  
Ed Griffiths

Burlington Northern Reps.:

Mr. Garland  
Mr. Goetz  
Mr. Cron

Mpls. Branch Office Reps.:

Robert Landes

General

Ensley reviewed the purpose and operations of the Task Force. Eastling described the present and prospective ASCS computer system.

BN explained they maintain 3 customer account centers for billing in Seattle, Omaha, and St. Paul.

Common Language

Common language for the carrier industry includes standard car numbers, location codes, and junction codes.

The BN Co. has a customer code and a 7 digit commodity code. The BN computer runs are in COBOL language.

BN is very agreeable with AAR codes and sees great potential savings from the use of codes in the exchange of information between carriers.

BN is agreeable to the use of cwt. as a sole unit of measure.

Task Force Question -- Where does BN pick up Bill of Lading information on a car shipped from a country elevator?

BN prepares bill of lading and waybill at origin. Waybill is introduced into a tele-processor and fed into the computer in St. Paul.

BN's first car reporting point is origin or the first point enroute at which a terminal is available.

Subsequent railroad yards enroute add data as the car passes through.

At the termination point, the car waybill goes to one of BN's three customer accounting centers for freight bill issuance.



### Freight Bill Issuance

BN prepares freight bills manually by adding weight data to waybill, xeroxing waybill, rating waybill, and extending it.

BN believes rate and tariff reforms must precede computerization of tariffs.

BN states that customers computerize rates for most frequent or repetitive moves.

Trend in last 5 years has been for simpler grain rates on major tonnage.

### Task Force Question -- What customer information would be of value to BN in efficiently utilizing cars?

Copies of CCC loading orders will help BN car distribution to the extent it gives a rough idea of when the shipper will order a car.

The Portland grain trade presently advises BN on export sales. From experience, BN knows area from which the export supplies will be gathered and what proportion of the total business BN can expect.

BN said CCC's policing record on unshipped loading order balances might be of value to them.

BN stated that an interim routine under which CCC would provide BN with a disposition order via a punched card would be helpful.

BN was very interested in the potential expansion of origin grades with CCC cars being billed directly to destination.

BN now furnishes early bill of lading information (pre-inspection point) to certain customers. Some built-in tracing is possible. Car location reports are made to selected customers.

The furnishing of CCC loading orders to AAR is not too helpful in car inventory management due to delays and time lags.

### Miscellaneous

The main area for potential data swaps between BN and CCC involves the need for quicker car disposition data by BN and the need for quicker initial car reports by CCC.

The interim concept of a freight bill tape swap between CCC and BN was discussed. Under this routine, the tapes would be bumped and only the unmatched items printed out for research. This is in lieu of a 100 percent audit of freight bills by CCC. BN presently does no freight bill tape swapping.





The long term concept of CCC preparing the bills of lading on the basis of a pre-assigned "block" of numbers was discussed. Waybill and bill of lading numbers would have to be the same. Some customers now pre-pay BN using bill of lading numbers as a reference. (Since BN controls on a waybill number basis, this practice generates a matching problem.)

BN has economic studies from time to time on rate elasticity, i.e., the effect of rate changes on railroad revenue, etc.



ASCS INVENTORY TASK FORCE  
Meeting with Soo Line Railroad Co.  
Minneapolis, Minnesota  
January 26, 1971

Task Force Members Present:

Bennett Ensley  
George Eastling  
Larry Arent  
Keister Adams  
Al Mootz  
Jesse Moore  
Ed Griffiths

Soo Line Representatives:

Ray Smith  
Bob Reiole  
Dick Holland  
Bob Shrier  
Jerry O'Keefe  
Bob Dickinson

Mpls. Branch Office Reps.:  
Robert Landes

General

Ensley reviewed the purpose and operations of the Task Force.

Eastling described the present and prospective ASCS computer system. He expressed hopes for direct communication between ASCS and RR computers and explained the process of a progressive car record buildup with an automatic freight payment being made by CCC upon car weighing at destination.

What Soo is now doing

Soo said all important car data is on the waybill, except the charges. Soo does not have a direct computer exchange with any outside parties now.

Soo works with GMA (General Managers Association) in Chicago on the automatic car identification program.

Soo provides interchange date and time to the AAR in Washington.

The Belt Line RR of Chicago gives IBM cards to Soo.

Common Language

Soo indicated that the RR industry has made more progress than the grain industry on common language.

Soo said they have had no opposition from shippers on common language.



### Computer Inquiry

Soo makes a daily report to 50-60 customers which shows the last move of their cars. The customers receiving this report are primarily leased-car shippers.

Shippers can ask Soo for a computer inquiry on a 24 hour - 7 day a week basis and get a real time reply on car location. Soo gets as many as 900 inquiries per day from customers.

### Task Force Question -- What is potential for bill of lading information from carriers?

If shipper has car number he can make an inquiry on last location of any car moving on any train.

The shipper's other alternative is to ask for an automatic car location listing to be provided at 7 a.m. each day.

Soo temporarily discontinued the daily car location report service, but had so many complaints it had to reinstate the service.

Eastling explained that CCC first learns of a CCC car being moved when it receives an inspection report from the hold point. The bill of lading follows.

### Soo Question -- Could CCC tell Soo of loading points so Soo could provide empties?

CCC contemplates that it would eventually be able to provide a schedule of loading orders to the carriers each day for mutual benefit.

### Freight Bill Preparation

Soo freight bills are manually prepared locally, but Soo is in process of centralizing freight preparation in Minneapolis, still on a manual basis.

Soo allows all customers, except the U. S., 5 days from date of freight bill to make payment.

CCC freight bill audit processes preclude 5 day freight bill payments.

CCC would eventually like to pay carriers before the receipt of a freight bill. Soo stated that several private companies already pay prior to receipt of freight bills.



### Release of cars from intermediate inspection points

Eastling explained CCC hopes for an on-line system with the use of a computer for a decision on car disposition and with hard copies of the car disposition being available for RR and other interested parties.

Soo now gets disposition orders from CCC late in the day and just before the expiration of the free time period. Soo must wait until the next day to move the car. An automated disposition system would promote more efficient car utilization by Soo.

### Standardized Coding

AAR now has several committees assigned to standardized coding.

Soo must stay within limits of AAR coding even though they believe Soo's consignee and shipper codes are easier than AAR's.

Soo recommends that CCC work with AAR committees on standard coding.

### Task Force Question -- How long is car kept on-line?

Soo computer system has a 44,000 car capacity.

Foreign car is kept on-line 5 days after Soo has delivered it at an interchange point.

Soo cars are always kept on-line.

### Soo Organizational Setup

No separate data group is responsible for processing.

Soo operates on a direct line (vertical) responsibility basis with the computer being user-oriented.

### Suitability of cwt. instead of bushel as a grain unit

Soo already operates on a cwt. basis.

Soo gets into bushel conversion only in claims evaluation.

### Model Programs

Soo stated they would gladly cooperate on a model program.

Soo has done some work on a car distribution model.





Miscellaneous

Soo could use CCC's on-line weight information.

Soo can use any projections a customer can supply pertaining to nearby movements of grain. Such projections enhance Soo's ability to supply cars, allocate locomotives, and assign train crews.

The efficiency of car utilization is affected by the fact that cars are subject to weekend delays at the origin elevator as well as at intermediate inspection points. Soo operates essentially on a 5 day week.

Soo stated they are prepared to operate and execute deliveries on a 7 day basis if sampling inspection, and car allocation could be speeded up.

Soo indicated they could leave CCC grain cars on a faster track at hold points if the sampling, inspection, and allocation routines could be compressed into something like an 8 hour period.



## COTTON MEETING

USDA WITH INDUSTRY REPRESENTATIVES  
RE ASCS LOAN AND INVENTORY TASK FORCES9:00 a.m., December 4, 1970, Room 4711 South Bldg.

The meeting was arranged by the ADP Staff, Office of the Administrator, and the Cotton Division, ASCS, to discuss cotton problems and new operational methods in relation to current USDA planning toward eventual conversion to a "third generation" computer system to handle ASCS - CCC programs. One purpose of the meeting was to identify areas where industry activity is affected and perhaps restricted by rules and operations of the Department. Of equal concern, are those areas where Government action is perhaps needlessly influenced and molded by industry traditions and practices. The meeting was designed to explore these situations and obtain assistance in not only eliminating roadblocks whenever possible, but also to develop and institute procedures that will help make industry perform more efficiently than is now the case. In the simpler application, only the revision or elimination of a procedure or form may be required; or at the other extreme, it may involve expanded use of automatic data processing equipment that is now in the planning stage and expected to be operative sometime in 1973. Industry and Department representatives who attended the meeting are listed on Attachment I. The Agenda for the meeting is listed on Attachment II.

Mr. Kenneth E. Frick, Administrator, ASCS, made the necessary introductions and opening remarks, indicating that the problem relates to upgrading ASCS's computer system. ASCS is reviewing the entire CCC system - taking it apart and tooling up for tomorrow. He informed the industry that several ASCS-manned task forces have been formed to attack the problem from the inside and that he hoped to enlist the help of the industry to review the problem from the outside. He stated that the task forces will "scrub" our programs from top to bottom in efforts to find the best way to handle our business. At the same time, he expressed hope that the industry representatives would inform us of any ASCS program, activity, or provision which impedes the business of the cotton industry. He stated that industry can possibly contribute more than USDA. He indicated that he would be disappointed if, upon the complete review of the cotton program, the same program should emerge. In his view, the industry is operating under an outmoded classing system. In citing improvements needed, he indicated that he doesn't care whether all agree. Our interest is that we have a loan program, but we don't want to stand in the way of cotton moving to consumers. We don't want to keep people in business unless they are rendering a service. He noted that automatic sampling is great in theory; industry should tell us whether CCC should recognize it in its operations. As to packaging, he noted that it's still the same; we're cutting-up the bale. He indicated that CCC could refuse to take a cut-up bale. He questioned: Should we make loans on seed cotton? CCC is ready to accept new ideas. Let's forget past agreements and disagreements. We need



new ideas that can be put into use at the right time. He closed his remarks with the wish that the industry representatives here would shed light on what the industry will do in the future; and give us their best thoughts as to how ASCS could adjust its cotton program to more efficient and effective operation, particularly in the light of increased computer capability in the years ahead. ASCS will try to stay out of industry's way.

Mr. Carroll G. Brunthaver, Associate Administrator, ASCS -- Mr. Brunthaver's remarks were brief and concise, reiterating Mr. Frick's remark that our problem is to upgrade our computer. He indicated that we are looking at procedures to determine our requirements for the next few years and then buy a computer to fit those needs. Specifically, he asked of the industry: "What changes can you suggest that will:

1. Make U. S. cotton more competitive, and
2. Simplify CCC's work or make CCC's work more meaningful to the trade?"

He reviewed briefly the task force method of attacking the problem, indicating that two of the Task Forces - Loan and Inventory - were represented in the meeting.

Mr. Theodore H. Anderson, Assistant to the Administrator for ADP -- Mr. Anderson stated that special Task Forces are dissecting various areas of CCC's operation. He discussed with the group the plan by which each Task Force is reviewing operations in detail, not only on cotton but on grains and processed commodities. Each Task Force is in process of determining in its field ASCS requirements now and in the future with respect to computer programming. After a complete examination of the system, recommendations will be made to the Administrator. Mr. Frick interjected that we are interested in cotton first and data processing second.

Mr. Anderson then introduced Mr. Paul Jones to the group as an outside consultant in computer systems who is working with ASCS, as necessary, in the development of the new computer system. He noted that Mr. Jones has spent a few days in each of the three ASCS Commodity Offices, Minneapolis, Kansas City, and New Orleans; has reviewed loan and inventory activities in these offices; and discussed with technicians and management some of the remotest details of commodity operations. He further noted that Mr. Jones had developed a series of charts based on his own interpretation of what he had seen and heard.





Mr. Jones presented to the group his interpretations of cotton operations in the New Orleans Office.

Discussion of Cotton Systems -- In the beginning, each person in attendance introduced himself to the group. Mr. Joe Moss, Director, Cotton Division, ASCS, and Chairman of the discussion, called on Mr. Claude Freeman, as Chairman of the Loan Task Force to briefly describe the activities of his group and to open the floor to recommendations and discussion. Mr. Freeman stated that only limited progress had been made up to that time, but reported some of the major objectives of the cotton loan program. These included statutory price and orderly marketing. The term "orderly marketing" became a controversial one, particularly in the mind of Julien J. Hohenberg, Hohenberg Bros. Co., the largest buyer of cotton from CCC stocks in recent years. Mr. Hohenberg feels that "orderly marketing" has an entirely different meaning to different people. This prompted some further discussion with little order or meaning. Mr. Frank G. McKnight, Associate General Sales Manager, EMS, proposed that this discussion shift to other issues since the loan program is a producer program - not one designed for the cotton shipper.

Mr. McKnight suggested that consideration be given to a plan bearing on the "central ginning" concept of cotton marketing. This plan would involve storage of seed cotton for orderly ginning of cotton throughout the cotton marketing year. He noted that the ginning season in different areas of the Cotton Belt currently covers only a relatively short time - two or three months - during the harvest season. The investment in machinery and equipment which stands idle over the remainder of the year increases marketing costs tremendously. Ginning is nearly 50 percent of off-farm costs; volume appears to be the answer. Mr. McKnight also suggested that consideration be given to making loans on seed cotton as well as on the baled lint. The central ginning concept would tend to eliminate many small gins now operating in the U. S. that are less efficient than the larger, newer, and more modern plants. In this connection, Mr. Herschel McRae of the National Cotton Council pointed out that the small gins are rapidly going out of business, indicating that the ginning industry would adjust naturally to more efficient operation by a small number of the larger gins that can handle the crop over a longer period of time and reduce cost of ginning.

Only the broad view was given to the question of making loans on seed cotton - very little discussion was generated as to details or procedures.



Mr. Dan Davis, General Manager, Plains Cotton Cooperative Association, stated that we must find a way to store seed cotton. The difficulty in obtaining labor and parts is a big item entering into the need for extending the ginning period. Mr. Davis reported briefly on the seed cotton storage and ginning project that his association is experimenting with. After some general discussion, Mr. Moss indicated that if Mr. Davis requested that loans be made on the seed cotton on a pilot project basis, serious consideration would be given to such a project. Mr. Davis expressed the view that the Government will be much less involved in future under the Agricultural Act of 1970.

Mr. Charles M. Cox, Assistant Deputy Administrator, State and County Operations, ASCS, asked Mr. Davis if he would comment on the cotton classing system, particularly as to the number of qualities. Are they all needed? There are 532 grade and staple combinations, which coupled with 7 micronaire groupings, results in over 3,500 different qualities of upland cotton. Mr. Davis says they are not all needed, but did not indicate specifically how they could be changed. He favors change in classing that would put lasting quality designation on the bale. A view was expressed that Smith-Doxey classification perpetuates the present system. If producers had to pay, the system would be different. Some discussion followed as to progress in machine classification of cotton.

Mr. Stanley C. Rademaker, Director, Cotton Division, C&MS whose agency is responsible for cotton classification, stated that much progress has been made in machine classing; but machines like people, are not always perfect and considerable variation may occur in readings obtained on the same sample of cotton. This could be attributed to either the machine or the operator, or both. It appears that overall industry agreement is a long way off; some pioneering is needed. Mr. Rademaker noted that plans are underway for a pilot project in the mill area.

A question was raised as to certification of tare weight under the net weight system to be in effect beginning with the 1971 crop. The rambling discussion which followed produced no specific recommendations although it was felt generally that the logical place for such certification would be at the gin. An idea advanced, that the producer be required to certify tare at the time he obtained a loan, was not enthusiastically received; in fact, it seemed highly illogical to the producer interests.

A question was raised as to lightweight and heavyweight bales under the loan program. The current range under the grossweight system is 350 pounds to 625 pounds and no cotton outside the range is eligible for loans. Any bale over 625 pounds is considered as 625 for loan purposes. Mr. R. W. Bramlett, a representative of the warehouse industry, suggested that 550 pounds be the maximum weight under the net weight system. In effect this would amount to about 50 pounds reduction in bale size for loan purposes. The discussion on this issue was rather limited.





The morning discussion concluded at 12:00 Noon and the group was asked to reassemble at 1:30 to continue the meeting after lunch.

In opening the afternoon session, Mr. Brunthaver noted that time would be short since several persons had plane connections to make after 3:00 p.m. He asked that Mr. Moss proceed with the meeting.

Mr. Moss called on Mr. Ben Ensley, Chairman of the Inventory Task Force, to briefly describe the activities of his group and to open the floor to recommendations and discussion. Mr. Ensley reviewed progress attained thus far in inventory operations and raised several issues which are of concern to the task force and ones on which comments and recommendations are sought from the various segments of the cotton industry. Specifically as to CCC sales, he referred to the policies under which cotton is reweighed and reclassified in final settlement, and refunds made of standard density compression charges paid by buyers of CCC cotton under certain conditions.

Mr. Hohenberg responded first to the compression refund question, pointing to the "Universal Bale" as the answer to this problem and many other problems related to merchandising cotton. There was general agreement on this point, but it was also recognized that the "Universal Bale" is barely off the drawing board. The "Universal Bale" is one designed to serve the purpose of both the standard density bale and the high density bale. If such bale is packaged at the gin, many economies in merchandising could be realized. Mr. McRae, in response to a question from the floor, indicated that as a practical matter such a bale is still a few years away.

A general discussion of the compression refund followed in relation to the "Universal Bale."

By way of review, CCC's cotton sales program since 1966 has provided that if charges for both high density and standard density compression have been paid by the purchaser of CCC cotton, either to CCC or to a compress, charges for standard density compression on such cotton will be refunded to the purchaser if he exports the identical bale by ocean vessel and makes claim for such refund, certified as true and correct.

Some of those present concluded that the compression refund policy is in effect impeding the changeover to the "Universal Bale" concept. They contend that the policy is perpetuating the old system. If we are really interested in moving more rapidly toward a "Universal Bale", then serious consideration should be given to eliminating the compression refund policy now in effect. This position appeared to be a little more than a casual feeling in the group.



Mr. Hohenberg, prompted by other questions raised in the course of discussion, made a strong recommendation to the Associate Administrator, ASCS, that a Transportation Task Force be established to study the many and varied problems of transportation in relation not only to cotton but the other commodities as well. He objected to truck allowances which can be applied to subsequent rail movements and to transit rates. This impedes movements by barges and other more economical means. He supports "bare bones" non-transit rates. Mr. Dan Davis agreed that creation of a Transportation Task Force could go a long way toward solving some of the problems facing cotton. Mr. Brunthaver made note of the recommendation. Mr. McRae indicated that the National Cotton Council has a Transportation Advisory Committee actively studying cotton transportation problems.

Mr. Moss noted that time was running away and suggested that some thought be directed to the policy of settling CCC sales on the basis of reweights and reclassification of the cotton. Mr. Davis reacted against the policy saying that it was a form of subsidation in that the Government refunded around \$6 per bale on the average to buyers because the cotton had changed in quality. Mr. Moss stated that this question has been examined and reexamined several times in the past. He recalled that the House Agriculture Committee of the Congress some years ago (1960) unanimously adopted a resolution urging the Secretary of Agriculture to recognize reclassification in CCC's cotton sales policy.

Mr. Cox raised a question as to the feasibility of reflecting in CCC's resale price level an average reclass adjustment and thereby eliminate all the details which surround final settlement on a bale by bale basis. Mr. Hohenberg indicated that a new sample is needed anyhow. He stated that it wouldn't be fair, especially to the small shipper. Mr. A. P. McLachlan, Director of the New Orleans ASCS Commodity Office, particularly addressed such a proposal to Mr. Hohenberg in an attempt to "draw him out" on the question. Mr. Hohenberg took the position that such an average is much like the case of the man who drowned in a pond which averaged three feet in depth. The average didn't reflect those parts that were over his head.

The meeting adjourned at 3:00 p.m., the time agreed upon to accommodate travel plans. But, Mr. Hohenberg, who sat across the table from Mr. Ensley, engaged him in conversation long enough to express the position that the cotton shippers would protest loud and strong if the current policies regarding reclassification and compression refunds are eliminated from CCC cotton sales programs. Mr. Ensley stated that he appreciated their position on the matter, and that careful consideration would be given to that question as well as many others before any recommendations are made by the Inventory Task Force.





To sum up the meeting, it might be fair to say that it is almost impossible under a broad-brush-stroke approach such as this to reach any kind of agreement or to arrive at any meaningful recommendations. No new ideas came to light. The "stones turned over" were the same stones that have been turned over from time to time in similar sessions for the last 30 years. However, some new methods of approach may be worthy of consideration. It was apparent that each representative of each segment of the industry was careful not to tread too heavily on the others toes. It was obvious that many responses were weighed carefully and qualifications applied, as appropriate to the interest of the individual.

The Department is searching for new and improved ways of conducting its cotton program and stands ready to lend impetus to meaningful adjustments in current trade practices. It is the Department's hope that its programs will provide flexibility which will not "lock-in" the trade to things not efficient. In the same light, it is not the Department's desire to impede progress as it originates in the cotton industry.

Mr. Brunthaver stated that another meeting would be held with the group to obtain their views on changes recommended by the Task Forces prior to implementing any changes.



LIST OF PERSONS IN ATTENDANCE  
AT USDA COTTON MEETING

Friday, December 4, 1970, 9:00 a.m.

COTTON INDUSTRY REPRESENTATIVES:

A. L. Vandergriff (Warehouse)	- Vice President and General Manager, California Processing Division, J. G. Boswell Company, Corcoran, California
Chauncey L. Denton, Jr. (Producer)	- Denwood Plantation, Tyronza, Arkansas
Julien J. Hohenberg (Shipper)	- President, Hohenberg Bros. Co., Memphis, Tennessee
Dan Davis (Coop)	- General Manager, Plains Cotton Cooperative Assn., Lubbock, Texas
W. A. Barber (Mill)	- President, Burlington Cotton Co., Greenville, South Carolina
Richard W. Bramlett (Warehouse)	- Vice President, Gulf Atlantic Distribution Services, Houston, Texas
Herschel McRae	- Research and Promotion, National Cotton Council of America, Memphis, Tennessee

DEPARTMENT REPRESENTATIVES:

Kenneth E. Frick	- Administrator, ASCS
Carroll G. Brunthaver	- Associate Administrator, ASCS
Carl C. Farrington	- Deputy Administrator, Commodity Operations, ASCS
Charles M. Cox	- Assistant Deputy Administrator, State and County Operations, ASCS
Frank G. McKnight	- Associate General Sales Manager, EMS
Theodore H. Anderson	- Assistant to the Administrator for ADP
Bennett D. Ensley	- Director, Transportation and Warehousing Division, ASCS (Chairman, Inventory Task Force)
Claude B. Freeman	- Deputy Director, Grain Division, ASCS (Chairman, Loan Task Force)
Joseph A. Moss	- Director, Cotton Division, ASCS
William O. Shofner	- Deputy Director, Cotton Division, ASCS
A. P. McLachlan	- Director, New Orleans ASCS Commodity Office
Thomas Q. Beatty	- Assistant to Director, Cotton Division, ASCS
A. J. Fortenberry	- Chief, Price Support and Merchandising Branch, Cotton Division, ASCS (Inventory Task Force - Cotton Repres.)
Charles V. Cunningham	- Chief, Production Adjustment Branch, Cotton Division, ASCS (Loan Task Force - Cotton Repres.)
Stanley C. Rademaker	- Director, Cotton Division, C&MS
Vernon Moore	- Head, Cotton Ginning Laboratory, Stoneville, Mississippi

COMPUTER CONSULTANT:

Paul Jones	- Boston, Massachusetts
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AGENDA

December 4, 1970

9:00 a.m.

Room 4711 So. Bldg.

1. Introductions & Remarks ----- Mr. Frick
2. The ASCS Systems Study Effort, Scope,  
the Cotton Problem ----- Mr. Brunthaver
- Inventory Task Force ----- Mr. Ensley
- Loan Task Force ----- Mr. Freeman
- ADP Staff Role ----- Mr. Anderson
3. NOCO System ----- Paul Jones
4. Discussion of Cotton System ----- Chairman - J. Moss
5. Recommendations and Discussion ----- All
6. Conclusions ----- Chairman - J. Moss
7. Summary ----- Mr. Frick or  
Mr. Brunthaver





## REWEIGHT AND RECLASSIFICATION OF COTTON IN FINAL SETTLEMENT

### Background

Cotton generally gains in weight when moved from arid areas to more humid areas and cotton tends to deteriorate in quality (particularly color) during long periods of storage. These facts have been borne out in analyses and studies by the Department. This, coupled with substantive data from actual sales, prompted CCC's decision in the mid-1950's to recognize in its sales programs that both the weight and class of cotton sold were subject to change while in storage.

### Policy Decision

Since 1954, CCC-owned cotton has been sold under terms and conditions which provide for reweights and reclassification of the cotton in final settlement. It was determined that a buyer of cotton from CCC should pay only for what he gets. The reclassification practice assures him of an equitable settlement. Likewise, reweights assure CCC of any gain in weight of the bale. The reclass provision was optional until the 1959-60 marketing year, but practically all buyers elected to have the cotton reclassified. Both reweight and reclassification in final settlement for cotton sold by CCC became requirements in 1960-61 and continue in effect at the present time.

### Justification

The Department has justified the application of reweights and reclassification in cotton sales numerous times in statements and discussions with various individuals and offices (even in Congress) on the basis that in final settlement a buyer pays only for what he gets--the value of the cotton at the time of sale. In fact, the Committee on Agriculture of the House of Representatives unanimously adopted a resolution in March 1960 urging the Secretary of Agriculture to put into effect as soon as possible the uniform policy of reclassing all CCC cotton at the time of its sale.

CCC's current sales announcements provide that the sales price for all cotton included in a sale and final settlement on such cotton shall be based on (1) reweights of the cotton at the warehouse where the cotton is stored at time of sale, and (2) reclassification of the cotton by a board of cotton examiners of the USDA, regardless of whether a gain or loss in weight or quality is shown. All expense incident to reweighing and reclassification is for the purchaser's account.



## REFUND OF "DOUBLE COMPRESSION" CHARGES PAID BY BUYERS

### Background

At most cotton gins in the U.S., a bale of cotton is pressed to a density of about 12 pounds per cubic foot (flat bale). Except in the Southeast, the flat bale is usually compressed to "standard density" (SD--about 23 pounds per cubic foot) at some time while in storage at a warehouse in order to effect economies in storage and handling. Cotton destined for export is further compressed to "high density" (HD--about 32 pounds per cubic foot) to obtain more economical ocean shipping rates. Cotton forfeited as collateral under the loan program and acquired by CCC may have been compressed to SD while under loan. However, any flat bale, if reconcentrated by CCC, will be compressed to SD before shipment or in transit, and CCC will pay SD compression charge. CCC in its sales program invoices to buyers any compression it has paid on the cotton. Thus, a buyer of CCC cotton may pay two compressions on the same bale--SD, if billed by CCC and HD, if he intends to export the bale. In commercial operations, however, a cotton shipper may buy a "flat" bale from the current crop and order it compressed from flat density to HD if for export disposition, bypassing the SD compression. In such a case he pays only one compression charge.

### Basis for Program

With enactment of the Food and Agriculture Act of 1965, a "one-price" concept was inaugurated for cotton. CCC stocks were made available at one price for all purposes. In analyzing the new legislation, the commercial cotton trade, particularly the exporters, pointed up what they considered an inequity in the one-price system between cotton used domestically and cotton exported, in relation to SD compression charges previously paid by CCC and invoiced to buyers of CCC-owned cotton. They proposed that CCC refund to buyers any SD compression charges paid on cotton bought from CCC and later exported. They contended such action would not only place CCC cotton in the same relative position, compression-wise, as open market cotton, but exports would be encouraged.

### Policy Decision

Since early in 1966, CCC's disposal program under the 1965 Act has provided that if charges for both HD and SD compression have been paid by the purchaser of CCC cotton, either to CCC or to a compress, charges for SD compression on such cotton will be refunded to the purchaser if he exports the identical bale by ocean vessel and makes claim for such refund, certified as true and correct. Buyer must file claim within 18 months after the date warehouse receipts are delivered to him and must furnish certain documents to support the claim.



### Justification

This program has been justified from time to time on the basis that it places cotton purchased from CCC in the same export position as most of the cotton handled in the open market. It is felt that retention of the provision will tend to improve U.S. exports of cotton. Cotton appears to be recovering from its slump in exports and the outlook for 1971-72 is encouraging.

### Relationship to "Universal Bale"

Compression refunds were reviewed in some detail at a joint meeting of USDA and cotton industry representatives in Washington in December 1970. Some concern was shown for its effect on the "universal bale"--a type of bale which the industry is considering as an answer to many merchandising problems.

The universal bale is designed to serve the purpose of both the standard density and high density bales. If such bale is packaged at the gin, many economies in merchandising could be realized. However, it is generally conceded that the universal bale is still several years away. Some of those present at the Washington meeting concluded that the compression refund policy, in effect, may be impeding the change over to the universal bale concept.





## COTTON CLOTH PROCURED FOR FOREIGN DONATION

### Background

Cotton cloth in finished form (bleached, mercerized, dyed, etc.) is procured under the Title II, Public Law 480 foreign donation program for war refugee relief purposes. The program is designed to provide cotton cloth to war refugees to promote a clothing manufacture program on a "family project" basis as a means to rehabilitate families and others who have been displaced by war.

### Program Requirements and Procedures

Legislation requires that any cloth purchased under the program be made of 100 percent cotton, grown and processed in the U.S. Cloth is purchased on a competitive bid basis. The basic announcement and invitations for purchases are developed by the Cotton Division and issued by NOCO. The program details are administered by NOCO. NOCO evaluates bids (conferring with Washington as necessary) and accepts or rejects as determined in best interest of CCC and AID.

### Operating Problems

Fabrics made entirely of cotton are for all intents and purposes, a thing of the past. Any special orders for cotton cloth, aside from the commercial blends of cotton and synthetics, are extremely costly on a unit basis--particularly if small quantities are involved, such as is the case in this program. These factors discourage all but a few mills or dealers from participation. Most consider it highly impractical to change their normal commercial operating pattern (blends) to accommodate so small a quantity sought by AID and CCC under exacting Government requirements. Those who do, have yet to meet contract specifications.

In the initial development of the program, it was recommended that procurement be handled by GSA since that agency already buys cotton cloth for use by other Government agencies. However, management at that time (1967) determined that ASCS would purchase, with cooperation of the C&MS as to inspection and testing procedures, as is done in other ASCS purchase programs. But, the cloth program has little comparability to other ASCS purchase programs.





ROUGH DRAFT

ASCS INVENTORY TASK FORCE

MINORITY REPORT

RICE INDUSTRY PRACTICES



## I. Introduction.

In 1874 a grain inspection and grading system was established in the United States which allowed buyers of grain to accept lots of "equal quality" rather than identical lots selected. This system of trading by description enabled the grain industry to handle an increased volume of grain more efficiently with less physical facilities.

Billions of bushels of grain have now been traded internationally in a smooth and effective way on a "commingled" basis. Trading by description (commingled) enables these grains to be put on world markets more efficiently at competitive costs.

In noticeable contrast, the majority of the rice grown in the United States continues to be stored, traded, and processed on an "identity-preserved" basis by variety, as well as class and grade. Experts in rice marketing question the continuance of practices which seem to have an adverse effect on the competitive position of U. S. grown rice in world markets. 1/

## II. The Situation Analysis.

Rice is the world's most important food. It is produced in greater abundance than any food on earth, and it is the principal source of nourishment for a greater number of people than any other food. Over half of the world's population consumes rice as a principal source of nourishment.

There are approximately 7,000 different varieties of rice available on a world-wide basis. Only 33 varieties were developed and registered in the United States with 13 varieties still being produced in any appreciable quantities (See Exhibit 1). 2/

### A. The United States Position.

Although the United States grows a relatively small share of the world's rice crop, we are one of the major exporters of rice (See Exhibit 2). The number of U. S. acres planted in rice has remained stable, but, as in all commodities, production has soared. U. S. domestic consumption per capita has increased but exports remain the major outlet for increased production (See Exhibit 3). Asia has always been the main importer of U.S. rice, accounting for over 72% of U. S. exports in 1969. Government shipments under Public Law 480 represent a majority of U. S. exports (See Exhibit 4).

1/ Dr. Harlon D. Traylor, A Century Behind in Rice Markets?, The Rice Journal, June 1969.

2/ Dr. H. R. Coffey, The Rice Journal, May 1970, page 10.



## B. Identity Preserved Trading.

With the exception of rice grown in California, practically all U. S. rice continues to be stored, traded, and processed on an identity-preserved lot basis. This method is generally considered to be a high cost type of operation. A survey in Arkansas and Louisiana reports many facts which support this theory: 3/

- (1) Facilities commingling ownership lots dried an average of 2,201 barrels per lot compared to 1,234 barrels in those where ownership identity was maintained.
- (2) Facilities commingling ownership lots stored an average of 2,831 barrels per lot compared to 1,114 barrels in those where ownership identity was maintained.
- (3) Costs were nearly \$10,000 per year less per facility for those practicing commingling.
- (4) On a commingled basis, the same facilities could dry and store about one-fourth more rice than when operating on an ownership identity basis.
- (5) Drying and storage charges were significantly lower in those facilities where commingling was practiced. They also allowed more free time in the drier before beginning storage charges.
- (6) Facilities practicing commingling are undergoing a higher rate of growth than those which do not.
- (7) Prices paid for large lots were substantially higher than those paid for small lots.

## C. California Practices.

The California rice industry limits its production to two varieties - one medium grain and one short grain (See Exhibits 1 and 5). This practice has enabled complete storage, trading, and processing on a commingled basis with its inherent savings in handling and merchandising costs. California has maintained its competitive position in the industry, both in the area of sales and production (See Exhibit 6), despite the concentration on only two varieties, or perhaps because of it. The California

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3/ D. R. Gandy, Pooling as a Prospective Method for Improving Rough Rice Marketing in Louisiana, unpublished thesis, Department of Agricultural Economics, Louisiana State University, January 1969.





practices have not resulted in unfavorable price reactions over the years (See Exhibit 7). In the meantime, other states are continuing to explore more and more varieties of rice. The following is a quote from the New Orleans Times-Picayune, Friday, January 15, 1971:

"Two new rice varieties, one that increases the possibility of harvesting two crops a year in Louisiana, and an exotic tasting rice, have been developed by the Louisiana State University Rice Experiment Station. The first, named Vista, is a high-yielding, early maturing medium grain rice that exhibits vigorous regrowth after cutting, and the other, called Della, is a long grain rice with a nutty popcorn-like flavor and aroma.....Jodon said the Della variety with its aromatic quality is similar to the finest rice grown in India, which can be afforded only by the well-to-do of that land."

### III. Statement of the Problem.

It is generally accepted that the future growth of U. S. rice production depends on export markets, primarily Asian. To compete for such markets, the U. S. rice industry must continually strive to lower costs. Current trade practices requiring identity-preserved storage and merchandising of rice appreciably increase costs. The industry should take steps to minimize varieties and classes of rice grown primarily for export. Subsequently, the practice of commingling rice for storage and delivery should be adopted nation-wide.

Although the Department of Agriculture cannot dictate industry practices, it should not be in the position of inadvertently hindering the transition from identity-preserved trading to commingled trading through administration of its various programs. The following USDA functions have a direct bearing on industry practices:

#### (1) Price Support Program

Premiums are paid for long and medium grain rice above the normal loan rate for short grain rice (See Exhibit 8).

#### (2) Rice Export Program

Export payment rates recognize a premium for long and medium grain rice over short grain rice (See Exhibit 9).



### (3) CCC Storage Program

The delivery terms and the storage rates under the Uniform Rice Storage Agreement recognize commingled status, modified commingled status, and identity-preserved status (See Exhibit 10). The terms of the agreement tend to encourage CCC to store rice identity-preserved.

### (4) CMS Rice Inspection Standards

Current rice inspection standards recognize the three grain length types, four forms of processing, six different grades, and eight major quality factors within a grade. Numerous complaints have come from the rice industry regarding the lack of uniformity in the application of these standards. In testimony before the House Subcommittee on Rice and Oilseeds on September 30, 1969, a representative of the American Rice Growers' Cooperative Association said the USDA grain inspection service for rough rice as it is now applied is used only for determining price supports on particular lots of rice. "No one in the commercial trade uses it for any other purpose," said Mr. R. S. Newman, Jr.

## IV. Concept.

- A. Encourage national rice industry to adopt California rice production, storage, and merchandising methods.
- B. Eliminate premiums paid for long and medium grain rice under the price support loan program. CCC rarely recovers such premiums on rice forfeited to CCC ownership since only marginal quality rice is delivered to CCC. The premiums tend to encourage multiple qualities, thus discouraging commingled trading.

This suggestion does not necessarily imply a lowering or raising of the basic support rate itself.

- C. Eliminate premiums paid for long and medium grain rice under GR-369. Major importers of U. S. rice tend to buy short and medium grain rice. Continuance of premiums encourages multiple qualities which are not really competitive in most foreign markets.



- D. Eliminate modified commingled status allowed in the Uniform Rice Storage Agreement. Widen difference in storage rates between commingled status and identity-preserved status.

This suggestion does not necessarily imply a raising or lowering of the basic commingled storage rate.

- E. Reduce the number of quality factors and grades within the rice inspection standards to reflect minimum standards for domestic and foreign consumption.









## EXHIBIT 2

WORLD EXPORTS OF RICE \*  
(in millions of metric tons)

<u>Year</u>	<u>U.S.</u>	<u>Burma</u>	<u>Thailand</u>	<u>Other</u>	<u>Total</u>
1961	0.8	1.6	1.6	1.6	5.6
1963	1.2	1.7	1.4	2.2	6.5
1965	1.5	1.3	1.9	2.4	7.1
1968	1.8	0.3	1.0	3.4	6.5

\* Excludes Communist Countries

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## EXHIBIT 3

DISAPPEARANCE OF U. S. MILLED RICE  
(in millions of cwt.)

<u>Year, beginning August 1</u>	<u>Domestic Food</u>	<u>Domestic Industrial</u>	<u>Exports</u>	<u>Total</u>
1956	13.6	3.5	25.6	42.7
1959	14.6	3.5	20.3	38.4
1961	16.1	3.4	20.8	40.3
1963	16.2	2.7	30.0	48.9
1965	16.9	3.4	31.1	51.4
1968	19.7	4.2	41.0	64.9

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## EXHIBIT 4

U. S. RICE EXPORTS BY DESTINATION  
(1,000 metric tons)

<u>Year</u>	<u>Asia</u>	<u>Africa</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>	<u>% P.L. 480</u>
1963	708.2	195.4	162.5	131.1	1,197.2	54%
1965	979.6	231.6	134.5	203.4	1,549.1	39%
1967	1,188.1	203.1	241.6	168.4	1,801.2	47%
1969	1,336.5	188.7	209.3	115.5	1,850.5	59%

U. S. RICE EXPORTS BY DESTINATION  
(Percent of Total Exports)

<u>Year</u>	<u>Asia</u>	<u>Africa</u>	<u>Europe</u>	<u>Others</u>	<u>Total</u>
1963	59.2	16.3	13.6	10.9	100.0%
1965	63.2	15.0	8.7	13.1	100.0%
1967	66.0	11.3	13.4	9.3	100.0%
1969	72.3	10.2	11.3	6.2	100.0%





## EXHIBIT 5

U. S. RICE ACREAGE  
1970

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<u>State (Acres)</u>	<u>Long Grain</u>	<u>Medium Grain</u>	<u>Short Grain</u>	<u>Total 1970</u>	<u>% of Total</u>	<u>Total 1969</u>
Arkansas	331,720	105,336	4,270	441,326	24.20	519,962
Louisiana	132,284	392,893	-	525,177	28.80	611,957
Mississippi	51,360	166	-	51,526	2.83	60,551
Texas	387,742	79,927	-	467,669	25.64	544,114
Minor States	3,384	1,644	250	5,278	.30	7,300
California	-	176,858	155,423	332,281	18.23	390,449
Total Southern States	906,490	579,966	4,520	1,490,976	81.77	1,743,884
Total California	-	176,858	155,423	332,281	18.23	390,449
Grand Total	906,490	756,824	159,943	1,823,257	100.00	2,134,333
% Total Acres 1970	(49.71)	(41.52)	(8.77)			

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## EXHIBIT 6

ROUGH RICE

<u>Period</u>	<u>Acres Harvested</u> <u>(in 000's)</u>			<u>Cwt. Production</u> <u>(in 000's)</u>		
	<u>U.S.</u>	<u>California</u>	<u>Calif.</u> <u>%</u>	<u>U.S.</u>	<u>California</u>	<u>Calif.</u> <u>%</u>
Average 1951-60	1,803	323	17.9	51,260	11,806	23.0
1961	1,589	290	18.2	54,198	13,920	25.6
Average 1959-63	1,663	302	18.1	59,750	14,185	23.7
1964	1,786	327	18.3	73,142	16,514	22.5
1969	2,128	389	18.2	91,303	21,395	23.4

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## EXHIBIT 7

AVERAGE WHOLESALE PRICE  
(\$ per 100 pounds)  
U. S. NO. 2 MILLED RICE

<u>Year, beginning August 1</u>	<u>Long Grain (Houston)</u>	<u>Medium Grain (New Orleans)</u>	<u>Short Grain (San Francisco)</u>
1957	11.30	9.70	8.20
1959	9.45	8.25	8.45
1961	10.25	9.30	9.50
1963	10.30	8.75	9.90
1965	10.05	8.20	10.00
1968	9.80	8.45	10.55

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UNITED STATES DEPARTMENT OF AGRICULTURE  
 Agricultural Stabilization & Conservation Service  
 Washington, D. C. 20250

WIRE  
 NOTICE LP-107

FOR: Arizona, Arkansas, California, Florida, Illinois, Louisiana,  
 Mississippi, Missouri, North Carolina, Oklahoma, South Carolina,  
 Tennessee, and Texas State and County Offices

VALUE FACTORS FOR 1970-CROP RICE

APPROVED BY: Acting Deputy Administrator, State and County Operations

*JWBlease*

1 PURPOSE

To furnish value factors, premiums, discounts, and location differentials for 1970-crop rice.

2 VALUE FACTORS FOR HEAD AND BROKEN RICE

Class	Head Rice	Broken Rice
	(Cents Per Pound)	
Long Grain	\$8.30	\$4.15
Medium Grain	7.30	4.15
Short Grain	7.25	4.15

3 PREMIUM AND DISCOUNTS

A	<u>Premium:</u>	<u>Cents Per Cwt.</u>
	Grade U. S. No. 1	10
B	<u>Discounts:</u>	
	Grade U. S. No. 3	15
	Grade U. S. No. 4	30
	Grade U. S. No. 5	50



# WIRE NOTICE LP-107

## 4 LOCATION DIFFERENTIALS

<u>Area</u>	<u>Discount Per Cwt.</u>
State of Florida	\$1.10
States of North Carolina and South Carolina	1.05
Imperial County, California and adjacent counties in California and Arizona	1.14
Counties of Marion, Pike, and St. Charles in Missouri	0.74
Counties of Lafayette, Little River, and Miller in Arkansas; McCurtain in Oklahoma; Bowie in Texas; and Bossier Parish in Louisiana	0.105

## 5 NOTICE DISPOSAL

When incorporated in 2-LP-Rice (Rev. 2) #268

*Not Active  
for checklist  
11/15/71*

## EXHIBIT 9

## UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, Jan. 26, 1971

USDA Announces Export Payment Rates on Rice for Period Jan. 26-Feb. 2:

The U.S. Department of Agriculture today issued Rate Schedule 70-27 announcing export payment rates under the Rice Export Program (GR-369 Revision IV.) These rates will be in effect during the period from 3:31 p.m. ( EST) Jan. 26, 1971 to 3:30 p.m. (EST ) Feb. 2, 1971. The rates are unchanged from last week.

The rates per hundred pounds of milled rice are as follows:

<u>Export Periods</u>	
<u>1/26/71 - 5/3/71</u>	
Long grain (whole kernels)	\$1.25
Medium grain " "	1.00
Short Grain " "	1.00
Second heads	.80
Screening and brewers	0

In the case of exports under PL-480, the export period will be the applicable export period which covers the delivery period under the exporter's sale to the foreign buyer. In the case of non-PL-480, the export period will begin on the date the offer, resulting in the export contract, is submitted to CCC and will end on May 3, 1971.

For the period Jan. 19-25 USDA accepted offers to export 392,053 cwt. There were no PL-480 registrations. Cumulative totals since Aug. 1 are: Offers to export 6,227,506 cwt., and PL-480 registrations 10,757,839 cwt.



FORM CCC-26-2  
(7-1-68)U. S. DEPARTMENT OF AGRICULTURE  
Commodity Credit Corporation**SCHEDULE OF RATES**  
**Uniform Rice Storage Agreement No. AR \_\_\_\_-3-CCC \_\_\_\_**  
**(ALL CHARGES ON CWT. BASIS)**

Subject to the provisions of the above-numbered Uniform Rice Storage Agreement, this SCHEDULE OF RATES shall become effective as of July 1, 1968, and shall supersede all previous SCHEDULES OF RATES as of such date. This SCHEDULE OF RATES shall continue in effect until superseded.

TYPE OF STORAGE	RECEIVING (Cents)	LOAD OUT (Cents)	STORAGE (Including Insurance, if applicable; Conditioning; and Fumigation)
			(Cent Per Day)
Commingled	4	4	.191
Modified Commingled	4	4	.158
Identity Preserved	4	4	.142

ACCEPTED:

COMMODITY CREDIT CORPORATION

\_\_\_\_\_  
(WAREHOUSEMAN)By \_\_\_\_\_  
(CONTRACTING OFFICER)

By \_\_\_\_\_

Date \_\_\_\_\_

Title \_\_\_\_\_



Inventory Task Force  
Concept  
Updating U. S. Grain Standards

In recent years, the updating in marketing methods and the changes in handling and storage methods have resulted in more sophisticated methods of marketing grain both on the domestic market and to a greater extent in world export markets. Some changes have been made from time to time in the U. S. Grain Standards. Those changes that have been made are primarily only those that were glaring. Many other items appear to be just as obsolete, but no real effort has been made to bring about change if they can be worked around. It is suggested that an in-depth study be made in an attempt to modernize the Grain Standards so that they would be more meaningful and more in line with the present marketing methods. It appears to be entirely illogical to identify grain in six different grades. For example, corn is traded on a No. 2 basis. Even this is only a broad indication of quality. Most prices are finally determined by means of established premiums and discounts which are directly related to quality factors rather than the broader grade designation.

It seems logical that three numerical grade designations may be sufficient. One to serve as the basic quality, one to identify high quality and one to identify below basic quality and to then let the market seek a true value on the basis of the published premiums and discounts. There would still be a need for a sample grade determination which would relate that even the standard discounts may not reveal the true value.

In the process of making the study for revision of the standards, many inequities would come to light, such as the change in density of grain which has resulted since the original standards were established in 1919. Also, moisture and perhaps some other factors should probably not be a grading factor. Present modern methods of handling grain and the capability for most handlers to dry grain at the first opportunity cause such recognitions of grain condition to be meaningless as related to quality. It appears that such factors should be stated, but that the value should be based on weight adjustment and that only the actual quality factors should be used to relate the grade of the grain.





Inventory Task Force  
Concept  
Quotation of Quantity

The method of quoting quantity in the United States as it relates to grain marketing is antiquated and obsolete. It is time consuming and indefinite. It is used in no other country and is seldom used in the United States except in the process of marketing certain whole grains. In order to accomplish this, the weight in pounds is first determined and then through the process of computation, a bushel figure is determined. After the grain enters the phase of processing, the bushels are then converted back into pounds. This is true even when grain is being processed in the production of meat. The livestock producer buys bushels but converts his cost back to value per pound of feed.

The bushel measurement was standardized long ago as a means of determining quantity versus price. At that time, scales were not available and there was a need for a unit of measure. Long since that time as markets became more sophisticated, even this volume measure was not adequate and as a result, a method was devised to further define a salable unit. This was done by measurement of density which was accomplished by establishing a standard weight per bushel. Markets then began to use such a unit for pricing with each commodity carrying its own weight requirement for the recognized unit. This became the recognized quantity needed to make settlement on a sale. The fact that variation in quality did not result in this unit of weight being constant compared to the cubic content of the recognized bushel caused other weights to be established compared to the cubic content to further indicate the quality of the grain, but this action had no relationship with a sale unit. As a result, a bushel (cubic content) has no direct relation to a bushel (sales unit).

The unit of measure in the United States is the Winchester bushel, which has a legal content of 2,150.42 cubic inches. This was the unit of measure used in England and this country at the time of the Declaration of Independence. Since that time, England has changed to the British Imperial bushel which is about three percent larger than the U. S. Winchester bushel. As a result, it is not possible to communicate with any foreign buyer without going through two computations on quantity and two computations on value. In most domestic exchange between grain sales and processors, one computation must be made for the results to be meaningful.

The fact that the metric system is used in most countries except England, Russia and the United States seems that the logical change should be to the metric system. This change is probably impractical at this time unless the entire United States moved from the present measure of weight to the metric system. If only the grain marketing system adopted the metric system, then we could communicate with practically everyone except other related industries in the United States. It appears that the logical change would be to the hundredweight, which is the unit of measure now used nationwide in determining cost, transit tariffs and all other recording except for certain grain



sales. Also, the conversion from the hundredweight system to the metric system is less difficult than going from bushels to the metric system. For quality description, the pound per bushel could be retained, but would not be used to document quantity. There is a possibility that a more meaningful manner could be invented to indicate density. This would be particularly true with the adoption of the metric system. In any event, effort should be exerted to abandon the bushel in lieu of the hundredweight or the metric system for recording and pricing whole grains.

NOTE: An extension of this discussion is generated by a recent article published in the Farmland Publication, a copy of which is attached.



# U.S. farmers facing metric system shift

By JAY RICHTER  
Our Man in Washington

Let's see, you have 100 hectares of wheat and the yield is 20 quintals a hectare. With the market price at \$4.68 a quintal, how much are you grossing off that quarter section of wheat land?

Some day farmers will turn to hectares instead of acres, quintals rather than bushels and the rest of the metric system of measurement that rapidly is being adopted by world tradesmen.

But no one expects farmers or industry to jump into the metric mire overnight nor without a phased transition period which could last for several years.

The United States is the only industrialized country not committed to changing over to the metric system, and a U.S. decision is expected in another year. The odds favor acceptance.

In case school-day reminiscences of the metric system are a bit faded, a few of the most commonly used terms require review. The metric standards are simple if you keep in mind they are based on multiples of 10, or simply the movement of decimal points.

Example: In linear measurement — concerning the inch, foot, yard and mile — the simplified metric method begins with a centimeter (it takes 2.54 of them to equal an inch).

Thus, 10 centimeters equal one decimeter. And 10 decimeters equal one meter. One meter is 39.37 inches or somewhat longer than a yard.

Instead of a mile, the kilometer — 1,000 meters — is used. It equals slightly more than six-tenths of one mile.

A hectare, which measures more land the world over than any other unit, is equivalent to 2.47 acres, plus fractions as in the case of all precise metric standards.

Weights, beginning with a single gram (it would take several of sugar to sweeten a cup of coffee), hinge upon the kilogram, which is 1,000 grams or about 2.2 pounds. A quintal is 100 kilos or slightly more than 220 pounds. A metric ton, already used to measure many U.S. grain exports, is 2,204 pounds, compared with 2,000 for the standard ton.

This is not the complete metric list, by any means, but it does give some idea of the scope of change confronting the United States and how it might complicate the lives of farmers.

But some Department of Agriculture authorities, mainly scientists who customarily work with metric tables, think the conversion need not be complicated nor a great burden to agriculture and industry.

Farm organizations, while guardedly going along with prospects for a metric change, are insisting that it be done in an orderly fashion as to provide farmers with all the time and information required to adapt the method to their operations.

The direct responsibility for metric study and decision-making is in the hands of the Bureau of

(Continued on Page 2.)

(Continued from Page 1.)

Standards in the Department of Commerce. Other agencies, however, including USDA, are keeping in close contact with these proceedings to make sure the interests they represent have a full voice.

T. W. Edminster, associate administrator of the Agricultural Research Service in USDA, says "laboratory type" people in the department, particularly, have been working with the Bureau of Standards to provide estimates concerning costs, training needs and time schedules involved in the changeover for agriculture and related industries.

"We have taken the position, and I think this is true throughout the government, that it is something that's going to come, and that we want to see that it comes in an orderly way," Edminster says.

The metric issue is not new. The system was originated in France about 1790 and has been proposed as a U.S. standard periodically since 1795.

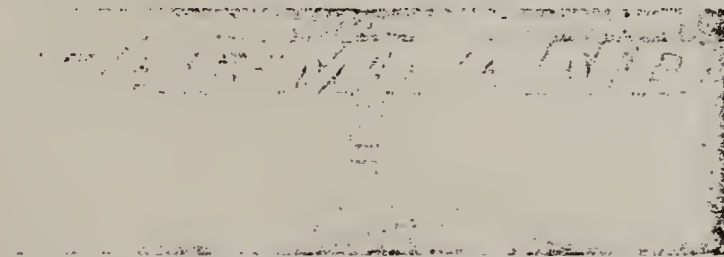
In August, 1968, Congress passed a metric study bill authorizing the secretary of commerce "to conduct a program of investigation, research and survey to determine the impact of increasing worldwide use of the metric system on the United States" and to come up with a course of action.

"As of today," says the Department of Commerce, "the vast majority of the countries of the world either already use the metric system or are definitely committed to do so over a period of time. The exceptions are: the United States, Barbados, Burma, Ghana, Guyana, Gambia, Jamaica, Liberia, Malawi, Nigeria, Sierra Leone, Trinidad and Tobago.

"Clearly," as Commerce puts it, "among the industrialized nations, the U.S. stands alone in not committing itself to the use of the metric system."

But this is not to say the metric system is unknown in the United States. Scientists have been using metric units for generations. Engineers except for electronics — tend to operate almost entirely with the traditional English units.

There has been a gradual shift to more use of metric units. The military, as an example, uses kilometers, meters and other units. More dual or "simultaneous use" of the two systems is being undertaken by the nation's industrial establishment.







Farm equipment manufacturers, Edminster said, frequently use both metric and English specifications. The dual approach, he said, is "extremely expensive" to maintain. A completely metric-oriented system, he said, would reduce costs.

The equipment industry, Edminster said, in many cases is making preparations for a shift to metrics. One company, he said, has opened a new plant in West Germany and is sending people to it for training in metrics with the aim of using these people to train home-plant technicians later on.

A phased approach to changing systems will be required. There will be much work ahead to alter shop drawings, blueprints, fabrication equipment, testing devices, etc.

"Yes, there's a complication here," Edminster said regarding the technical job of changing systems, "but not one that's insurmountable."

As part of the metric study, the Bureau of Standards has held a series of hearings on the possible change. Farm organizations, among others, were invited to comment.

A spokesman for the American Farm Bureau Federation, John C. Datt, said a majority of farmers today probably would be opposed to the metric system but would be sympathetic to its use if the standards benefit the country's general welfare.

"Adoption of the metric system undoubtedly would simplify matters for the exporters of farm products and save them some clerical costs," Datt said.

"However, the number of people involved in exporting agricultural products is very small in comparison with the number of people in agriculture and related trades who would be affected by adoption of the metric system for domestic use."

One of Datt's proposals was for postponement of the metric scale as it would apply to domestic agriculture until the

latter stages of the changeover period.

The National Farmers Union, also testifying at the hearings, had some reservations about shifting to metrics.

"When changes in our basic standards of measurements are made," said an NFU official, Weldon Barton, "the government would coordinate and allocate the resources necessary to make the shift as easy as possible on rural people and others."

A recently issued preliminary report on metric studies suggests that failure to cooperate in metric measurements could greatly impair U.S. trade relationships.

The report, issued by the Department of Commerce and based on some of the Bureau of Standards findings, identifies 455 classes of manufactured products considered "measurement-standards sensitive" in world trade.

These represent billions of dollars worth of U.S. exports annually.

However accustomed Americans may be to their present system, the metric system obviously is much more scientific. A meter — the basic unit for linear measurement — is

defined as one ten-millionth of the distance measured on a meridian from the equator to the North Pole.

Compare this monumental mathematical deduction with the English yard — the length from the tip of a man's finger to his nose. Another version says it is the length of draw on an English yeoman's longbow...

Or the foot — the heel-to-toe measurement of whatever monarch sat on the English throne...

Or an inch — equal to three barleycorns or the width of a king's thumb...

Those old "rules of thumb" have

been refined under the modern English system and are easily understood by farmers accustomed to planting so many pounds of seed per acre and harvesting so many bushels from same later on.

But U.S. farmers, one of these days, may visit their ASCS offices to hear government experts talking about hectare allotments, price supports on kilograms or quintals, and quotas based on national requirements in metric tons.

And on their way home they may have to stop downtown to pick up a liter or two of milk, a kilogram of sugar and a dozen meters or so of 20-millimeter rope.

## New Twist for Old Sayings

Some familiar sayings will be in for revision when the metric system goes into effect, the National Geographic Society notes.

For example, "A miss is as good as 1,6093 kilometers . . . 'I wouldn't touch it with a 3.049 meter pole' . . . 'Texans wear 37.853 liter hats' . . . 'God's little .4047 of a hectare' . . . 'It's all wool and .9144 of a meter wide.'"

On the other hand, you can always fall back on less specific expressions such as "down the road a piece," "big as all git-out", etc.

But best that you be prepared for this changeover. After all, 28.34 cubic centimeters of prevention is worth 454 grams of cure.





Government-Owned Commodity Inventory  
As a National Economic Concept

General

The work of the Inventory Task Force has been centered around the mechanics of inventory management. The following brief comments pertain to the existence of an inventory per se.

At the outset, the Task Force recognizes the perishable nature of dairy products, the less critical sustentative nature of cotton, and the tendency for the amplitude of price fluctuation on cotton and dairy products to be narrower than grain. For these reasons, the following remarks are confined to feed grains, wheat, and soybeans.

Carryover as a Function

The carrying over of seasonably produced commodities is a legitimate function because, to put it crudely, people eat in the short run and not the long run. When current supplies are exhausted, a harvest 60 or 90 days away or long run acreage adjustment plans are of little consolation. The size of a carryover, reserve, or stockpile, should be adequate and of such liquidity that it is not tied up in a speculative status and consequently unavailable in time of need.

Carryover - Public, Private, or Quasi-private

Costs inherent to the reserve function have to be paid for whether publicly or privately carried, i.e., public reserves through taxes or private reserves via a pricing system which yields profits to private holders. It is questionable whether private reserves would be adequate or could be broken loose for actual use during emergencies without an excessive price advance. Quasi-private carryover in a CCC resale status tends to be sluggish in reaching the market. Resale borrowers are inclined to take advantage of financing and storage fringe benefits and hold commodities for further speculative gains unless they are coerced by a nearby maturity date. The redemption of resale grain primarily represents a transfer of title and does not preclude further speculative withholding from ultimate uses, i.e., CCC efforts to move grain into consumption by calling resale loans may sometimes be like trying to "push on a string". A unique characteristic of government-owned reserves is that in releasing stocks it can bypass speculative segments of the marketing channel and dispose of grain nearer to ultimate users if the emergency so requires.

Reasons or Potentials for Crop Shortages

It is unnecessary to list the assortment of hazards which affect grain production throughout the world. Suffice it to say that everything has not been reduced to an exact science, either with regard to decisions on



optimum planted acreages or technology related to yields. The USDA performs many catalytic functions with regard to planted acreages, i.e., crop estimates, crop reports, and the changing of monetary incentives to produce. A reserve as a back up to these heavy responsibilities deserves some thought.

Increased production and price stability in recent years has been obtained by the increased use of various chemicals, i.e., fertilizers, herbicides, pesticides, fungicides, defoliates, etc. To the extent that the current emphasis on environmental protection gains momentum, it is conceivable that agriculture may be denied the use of some of its yield-stabilizing chemicals in future years. As the amplitude of yield fluctuations widen the need for reserve supplies increase.

### Effects of Price Instability

Changes in production, whatever the reason, and when not offset by demand changes, translate into price changes. Unreasonable price fluctuations on the high side tend to result in an overly optimistic profit outlook and hence overstimulation of grain production and the triggering of some unwise investments throughout the industry. Violent grain price changes also exert considerable leverage on earnings in the pork, beef, and poultry producing industries as well as on retail food prices. It is also probable that widely-swinging U. S. grain prices reduce exports to continuity-oriented foreign customers who require dependable supplies. In summary, the effects of grain price fluctuations are far reaching. To the extent that a government-owned inventory is available, an unreasonable price rise can be restrained and damage to all concerned, including farmers, can be avoided.

### Inventory Structure

For purposes of this paper, the title given to a government-owned inventory is not important whether it carry a humanitarian connotation, supply or price stability implication or bear a defense or disaster reference. Neither is it of any concern at this time at what level (relative to parity) prices should be stabilized or what range of price fluctuation is desirable, i.e., whether the amplitude of price fluctuation should be 5 percent, 10 percent, 15 percent, etc., although obviously some top limit or overkill point exists.

The size of an inventory must be controllable since obviously the Government cannot consume quantities in excess of that designated for stabilization or emergency purposes.

With regard to a mechanism for acquiring a limited inventory, the present method of splitting total support between an adjustable loan rate and an adjustable direct payment, does permit CCC's acquisition price to be altered so as to avoid an excessive buildup of CCC stocks. Concerning a disposition mechanism, it is probable that market prices are the best guide as to what point in time free supplies need to be supplemented. At a legally predetermined point, CCC should intercept a rising market and sell in a matter-of-fact way without letting a variety of other objectives confuse the disposition policy.



### Past Inventory Experience

The Task Force is well aware of the excessive CCC stock problem, high carrying costs, real and/or imagined abuses and allegations that inventories were misused to create desirable political atmospheres.

At times during the last two decades, the call for a liquidation of CCC grain stocks became almost a national obsession, and it is understandable why national leaders have pressed for a reduction of stocks. The notable exception was the anxiety in mid-1966 about a world food shortage which brought about a temporary but complete reversal by the news media about the "surplus problem". The reserve and price stabilization functions, like any preventive measure, lack glamour and the benefits are intangible. In contrast to the rather dismal public image of government grain operations, it may be of some consolation to say that the USDA probably stabilized commodity markets in a more disciplined, effective, and less heavy-handed way than did its companion departments in the U. S. Government, whose job is the stabilization of capital markets through monetary and fiscal policy.

### Future Inventory Prospects

It is possible that public disallusionment will prevail if and when CCC grain stocks are liquidated because this long-awaited event may not produce the anticipated benefits. A CCC stock liquidation would tend to highlight some of the advantages inherent in the maintenance of a reserve for price stabilization and strategic reserve purposes.

The Task Force has been invited to turn over every stone and look ahead 8-10 years. Within this framework, it can look beyond past skirmishes, criticisms, and minor problems to the fact that 10 years from now the agricultural complex (legislators, farmers, tradesmen) and the general public will be comprised of many of the same people with different attitudes and of new people with fresh ideas. Hopefully, they will approach the commodity reserve problem in a more objective manner and comprehend the relatively modest costs of reserves in relation to the benefits received.







